

STATISTICS DIRECTORATE

National Accounts and Economic Statistics – International Trade Statistics

MEASURING TRADE IN SERVICES

A training module produced by WTO / OMC in collaboration with the Inter-agency Task Force on Statistics of International Trade in Services

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**WORLD TRADE
ORGANIZATION**

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November 2003

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For further information on this training module or on statistics of international trade in services, please contact Statistics@wto.org.

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INTRODUCTORY NOTE

Statisticians often use complex concepts, methodologies and systems to produce reliable numbers. Translating them into simple and readily understandable information for non-specialists can be quite a challenge. The communication gap between producers and users of statistics is particularly wide in the area of trade in services. The recent entry into force of the WTO General Agreement on Trade in Services (GATS) has not only inflated demand for enhanced statistics, it has also highlighted that the scope of international trade in services is far wider than what statistics conventionally measure.

Statistics are best interpreted with a sound understanding of the methodologies underpinning their production. This textbook provides an accurate while simple overview on the newly defined statistical framework for measuring trade in services.

Primarily intended as reference material part of a broader course for government officials and trade negotiators, it should also be of benefit to other users such as business analysts, students, etc. Statisticians new to the domain may also find it useful to understand the more complex and accurate reference documents on the methodology for measuring trade in services.

The textbook starts with a general overview and contains six major Sections that can be read independently from each other. Each Section is introduced by a short paragraph describing in a few words what the reader will learn from it. References to further sources of information conclude each Section.

Readers will gain knowledge of:

- ☛ the economic importance of services and the concept of trade in services as illustrated in the GATS' four modes of supply (Section I);
- ☛ the relevant statistical framework recently developed on the basis of two major statistical domains (Section II focuses on key concepts related to trade between residents and non-residents as defined in international guidelines, while Section III deals with statistics on operations of services foreign affiliates), its usefulness and current limitations;
- ☛ the current state of play with regard to statistics on the presence of natural persons (Section IV);
- ☛ the different methods statisticians use to collect statistics on trade in services (Section V);
- ☛ statistics currently available and where they can be found at the international level (Section VI); and
- ☛ the recent developments and prospects in the domain of statistics on trade in services (Section VII).

Please note that the statistical rules, guidelines, concepts and definitions described are simplified and should not be used as reference standards. These are covered in the appropriate manuals on which this text is based, namely the *Manual on Statistics of International Trade in Services* and the *IMF Balance of Payments Manual*. Precise

references to these documents and other sources used in preparing this textbook can be found in the bibliography.

ACRONYMS AND ABBREVIATIONS

INTERNATIONAL AND REGIONAL ORGANIZATIONS

Eurostat	Statistical Office of the European Communities
ILO	International Labour Organization
IMF	International Monetary Fund
OECD	Organisation for Economic Co-operation and Development
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNSD	United Nations Statistics Division
WTO	World Trade Organization

OTHER ACRONYMS AND ABBREVIATIONS

BD3	3 rd edition of the OECD Benchmark Definition of Foreign Direct Investment
BOP	Balance of Payments
BPM5	5 th edition of the Balance of Payments Manual
CPC Ver. 1.0	Central Product Classification, Version 1.0
EBOPS	Extended Balance of Payments Services Classification
EU	European Union
FATS	Foreign Affiliates Trade in Services
FDI	Foreign Direct Investment
GATS	General Agreement on Trade in Services
GDSD	General Data Dissemination System (IMF)
GDP	Gross Domestic Product
GNS/W/120	Services sectoral classification list
ICFA	ISIC Categories for Foreign Affiliates
ICSE-93	International Classification of Status in Employment
ISCO-88	International Standard Classification of Occupations International Standard Industrial Classification of all Economic Activities, Revision 3

ISIC REV.3

ITRS	international transactions reporting system
LDCs	Least Developed Countries

Measuring trade in services, a training module for the World Bank

MSITS	Manual on Statistics of International Trade in Services
n.a.	not available
n.i.e.	not included elsewhere
SDDS	Special Data Dissemination Standards (IMF)
1993 SNA	System of National Accounts, 1993
UBO	ultimate beneficial owner
USA	United States of America
USD	United States Dollar

OVERVIEW

This overview gives readers an insight into how important services are and the various ways in which services may be delivered internationally. It also provides a brief presentation of the recent achievement concerning a comprehensive measurement of trade in services: the Manual on Statistics of International Trade in Services.

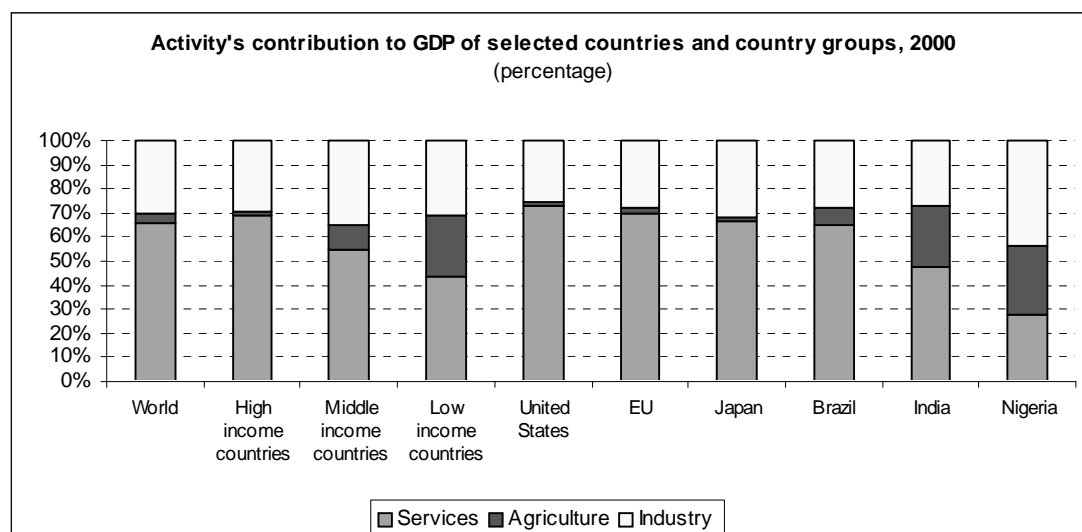
Services and trade in services in the economy

Importance of services in the economy

The term *services* covers a wide range of intangible and heterogeneous products and activities such as transport, telecommunication and computer services, construction, financial services, wholesale and retail distribution, hotel and catering, insurance, real estate, health and education, professional, marketing and other business support, government, community, audiovisual, recreational, and domestic services.

Services have a significant impact on growth and efficiency across a wide range of user industries and overall economic performance. For instance, sectors such as transport, telecommunications and financial services are key determinants of the conditions in which persons, merchandises, services and capital flow. Another illustration of services' major role is environmental services, which contribute to sustainable development by alleviating negative impacts of economic activities.

Services currently represent **two thirds of World Gross Domestic Product (GDP)**. The share of services value added in GDP tends to rise significantly with the countries' level of income, standing at 69% on average in high income countries (73% in the United States), against 55% and 44% respectively in middle- and low- income countries. Even in the latter group, the production of services is generally a **core economic activity**, whose contribution to GDP is above that of both industry and agriculture. Significant differences exist however between countries within the same group, as is the case for example between India and Nigeria – two low-income countries whose respective shares of services in GDP are 48% and 28%.

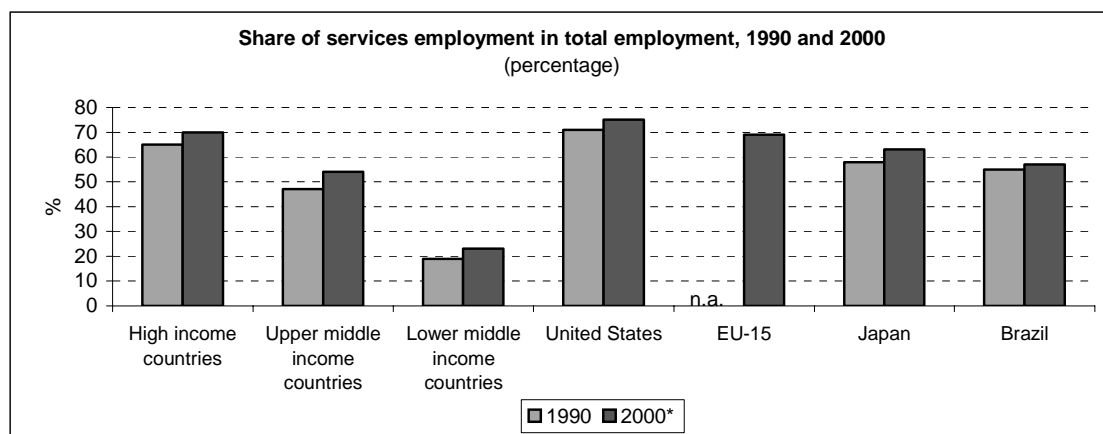


Sources: World Bank, World Development Indicators (WDI) database online (September 2003), Eurostat New Cronos database Theme 2 (EU data) – note that “construction” is included in the industry sector.

The current importance of services' value added follows decades of sustained growth of services' contribution to GDP, which is also mirrored in **employment statistics**. Looking at

developments over the 1990-2000 period, a significant shift of employment from the agriculture and industry sectors to the services-producing sector can be observed. Services' contribution to total employment gained 5 percentage points in high income countries during the decade against 7 points in the upper middle income countries. The share of services in total employment gained 4 points in the lower middle income countries, but this increase was strongly affected by the modest growth of the service sector in China, up from 10% to 13% during the period.

In line with value added statistics, employment data also confirm the prevalence of services over agriculture and industry for a majority of countries, with this sector accounting for more than half of employment in most countries under review (up to 75% in the United States).



* Except lower- and upper- middle income countries, and Brazil, 1998

Sources: World Bank, WDI 2002, and Eurostat New Cronos database Theme 3 (EU data) – note that “construction” is included in the industry sector.

Box I.1 Measuring services production

(a) Statistics on domestic activity

National Accounts constitute the statistical framework out of which main macroeconomic aggregates are calculated (production, GDP, Gross National Income, consumption...). **Value added** broken down by industry, permits the measurement of the contribution of the services sector and its sub-sectors to **GDP**. A majority of countries have adopted the international guidelines of the 1993 System of National Accounts (1993 SNA), which facilitates international data comparability.

Employment statistics provide the total number of people employed in various sectors of activity. As such, they allow to identify the number of people employed in the services sector, and their distribution among different sub-sectors (it should be noted that such statistics also form part of the central framework of National Accounts). In countries with relatively advanced data collection systems, it is possible to obtain information on foreign workers employed in services from migration statistics.

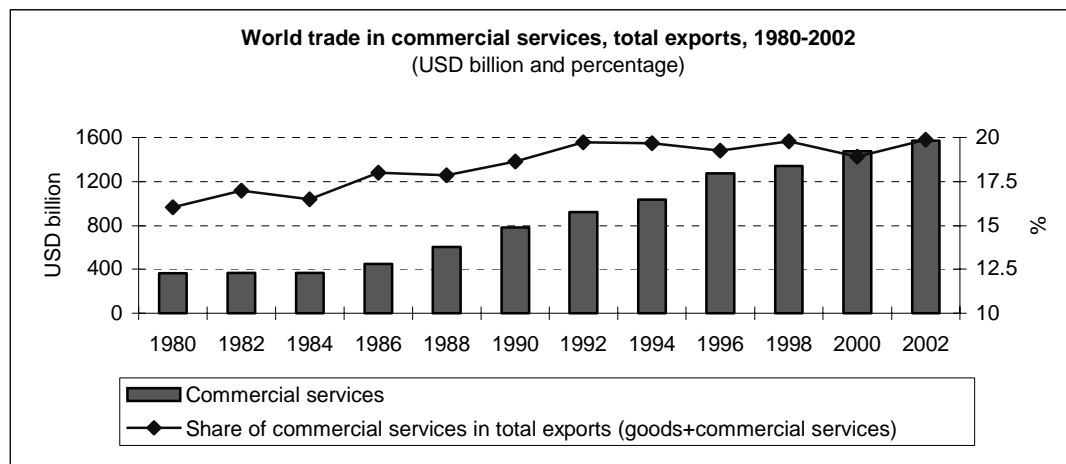
Other information such as **business statistics** (available from regional and international organizations) as well as data provided by business federations may also be useful for assessing the activity of specific services sectors.

(b) Quantitative indicators on specific sectors

Quantitative indicators on specific sectors (international number of students enrolled in basic education, arrivals of tourists, number of letters mailed, kilometres flown by planes, number of phone calls, etc.) also provide valuable information for assessing services production and performance, which enables more meaningful analysis of services sectors. However, quantitative indicators do not permit comparisons across sectors.

Trade in commercial services¹

World exports of *commercial services* (i.e. excluding government services) amounted to USD 1,570 billion in 2002, after growing on average at around 6.9% per year in value terms since 1980. Trade in *commercial services* grew faster than trade in *goods* (5.6% on average) during this period, increasing its share in total world trade by 4 percentage points. In 2002, *services* accounted for approximately 20% of total world trade.



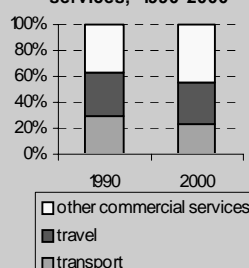
Source: WTO

The share of services in world trade contrasts with the central contribution of services production in domestic economies. As a matter of fact, due to their **intangible nature**, trade in services is **inherently subject to more constraints** than trade in goods. While a (tangible) good may be produced, stored, moved and consumed at different places and times, the delivery of a (intangible) service is seldom dissociated from its production and its consumption, requiring the proximity of the supplier and the customer. For instance, hairdressers and their clients need to be physically close for a haircut, and doctors generally need to be in direct contact with their patients for a consultation.

The need for proximity for supplying many services has led providers to export their products through developing a **commercial presence** in consuming countries, i.e. the establishment of foreign affiliates. This form of international trade in services was estimated at around USD 2,000 billion in 1998², that is, **substantially more** than “conventional” trade in services.

Box I.2: Patterns of trade in services' expansion

Changes in the breakdown of world trade in commercial services, 1990-2000



The marked growth in trade in *services* was accompanied by significant changes in the structure of services traded. Among others, the communication revolution eliminated important obstacles to the international delivery of a number of services by providing new means of supplying them remotely. This resulted in a 7-percentage-point increase in the share of *other commercial services* in total trade in *services* (45% in 2000), mostly at the expense of *transportation* which lost 5 points, down to 23%. In 2000, *travel* accounted for 32% of *commercial services'* exports.

Source : WTO

¹ A more detailed overview of international trade in commercial services and activities of foreign affiliates is provided in Annex I.

² This estimate was presented at the WTO Symposium on Assessment of Trade in Services held in Geneva in March 2002.

GATS and modes of supply

One of the most important achievements of the Uruguay Round trade negotiations (1986-1993) is to have brought international trade in services under common multilateral rules. Entering into force on 1 January 1995, the WTO General Agreement on Trade in Services (GATS) is the first set of multilaterally negotiated and legally enforceable rules covering international trade in commercial services (i.e. excluding government services). As stressed in GATS, international trade in services can take place through **four modes of supply**:

- in Mode 1, *cross-border supply*, only the service crosses the border. The delivery of the service can take place, for example, through telecommunications (telephone, fax, television, Internet, etc.), or the sending of documents, disks, tapes, etc;
- Mode 2, *consumption abroad*, occurs when consumers travel outside their country and consume services abroad. Visits to museums in a foreign country as well as medical treatment and language courses taken abroad are typical examples;
- in Mode 3, the service supplier establishes its *commercial presence* in another country through e.g. branches or subsidiaries. Examples are medical services provided by a foreign-owned hospital, and banking services supplied by a subsidiary of a foreign bank.
- Mode 4, *presence of natural persons*, occurs when an individual has moved temporarily into the territory of the consumer to provide a service, whether self-employed or as an employee. Examples are computer consultancy services or the temporary employment of construction workers.

The pillars of GATS are a set of **general obligations**, applying to all WTO members and all services, such as the Most-Favoured-Nation treatment (MFN) ensuring non-discrimination between trading partners; countries' **schedules of specific commitments** resulting from negotiations; and several **annexes** on specific sectors and on the movement of natural persons.

The Manual on Statistics of International Trade in Services

Following the entry into force of GATS, there has been an increasing demand for detailed, relevant and internationally comparable statistical information on trade in services. Trade negotiators require statistics, possibly by mode of supply, as a guide to negotiate specific commitments and to monitor their economic impact for each type of service. Among others, statistics are necessary to evaluate market access opportunities, compare liberalisation commitments, assess the extent of liberalisation reached in specific sectors/markets and provide statistical background for the settlement of disputes.

As a first step to respond to needs, the recently published *Manual on Statistics of International Trade in Services* (MSITS) was produced. Building upon internationally agreed standards, it provides guidelines and recommendations on how to use and develop sources to measure trade in services. **Two building blocks** are identified:

- **balance of payments (BOP) statistics**, which conform to the 5th edition of the IMF *Balance of Payments Manual* (BPM5), summarise transactions of an economy with the rest of the world into the components of the *current account* and the *capital and financial account*. BOP statistics under BPM5 display data on **trade in services between residents and non-residents** (within the current account) into 11 items: *transportation; travel; communications services; construction services; insurance services; financial services; computer and information services; royalties and license fees; other business services; personal, cultural and recreational services; and government services n.i.e.* MSITS proposes further breakdowns of these items to respond to needs for more detailed information. Furthermore, although BOP statistics do not allow a comprehensive measurement of services delivered through Modes 3 and 4, they

support the measurement of helpful indicators, namely *Foreign Direct Investment (FDI)* (concerning Mode 3), and *compensation of employees and workers' remittances* (Mode 4);

- MSITS expands the statistical definition of international trade in services by recommending the measurement of services supplied by foreign affiliates, within the new framework of **Foreign Affiliates Trade in Services (FATS) statistics**. This framework provides for the compilation of a number of indicators aimed at describing the operations of foreign affiliates (turnover, exports and imports of goods and services, number of enterprises, etc.) with a particular – but not exclusive – focus on services.

The guidelines of MSITS – once implemented by a large number of countries – will provide statisticians, economists and trade negotiators with eagerly awaited data on trade in services that would enable more pertinent statistical and economical analyses and improved information for negotiations. MSITS' recommendations for developing these two sources should indeed provide a set of statistics covering most services delivered through all modes of supply. MSITS identifies needs for further methodological work in two main areas:

- As highlighted in Table I.1, a satisfactory linkage of statistics with GATS modes of supply is not feasible at present. As a first step, MSITS proposes a simplified approach, based on the overall good correspondence between (i) FATS statistics and Mode 3, and (ii) BOP statistics and the three other modes of supply (as described further in Section II.5);
- Mode 4 of supply is currently not well measured in existing statistics. MSITS opens the way to the creation of a statistical framework in an annex on the movement of natural persons supplying services under GATS.

Table I.1: Correspondence between modes of supply and statistical domains

Mode of supply	Relevant statistical domains	Inadequacies
<i>Mode 1:</i> Cross border supply	BOP: commercial services (excluding <i>travel</i> and <i>construction services</i>)	BOP does not allow a separation between <i>Modes 1</i> and <i>4</i>
<i>Mode 2:</i> Consumption abroad	BOP: <i>Travel</i>	<ul style="list-style-type: none"> • <i>Travel</i> also contains goods and is not subdivided into the different categories of services consumed by travellers • Some transactions related to this mode of supply are also in other BOP categories
<i>Mode 3:</i> Commercial presence	FATS statistics BOP: FDI data BOP: <i>construction services</i>	<ul style="list-style-type: none"> • Very few countries produce FATS data • FDI statistics cover a larger subset, not only (majority) controlled companies • Not distributed between <i>Modes 3</i> and <i>4</i>
<i>Mode 4:</i> Presence of natural persons	BOP: commercial service (excluding <i>travel</i>) BOP statistics: <i>compensation of employees and workers' remittances</i>	<ul style="list-style-type: none"> • BOP does not allow a separation between <i>Modes 1</i> (<i>3</i> for <i>construction services</i>) and <i>4</i> • only loose relationship with <i>Mode 4</i>

For further information...

☛ *statistics on services:*

- employment: the World Bank WDI (www.worldbank.org/data)
- value added: the World Bank WDI, UNCTAD *Handbook of Statistics* (www.unctad.org/statistics)
- trade: WTO, *International Trade Statistics* (www.wto.org)

☛ *quantitative indicators on services:*

- International Telecommunication Union (www.itu.int), Universal Postal Union (www.upu.int) or other specialised organizations.

☛ *GATS*: The General Agreement on Trade in Services, WTO (www.wto.org)

STATISTICS OF TRADE IN SERVICES BETWEEN RESIDENTS AND NON-RESIDENTS OF AN ECONOMY

This section describes how trade in services is measured within the balance of payments framework. It also introduces recent extensions made to this framework in terms of the breakdown of services items so that statistics better fulfil users' needs with respect to information on trade in services. Finally, links of these statistics with GATS' modes of supply are highlighted.

Introduction

Balance of payments (BOP) statistics on services transactions between residents and non-residents provide a sound basis for the measurement of trade in services in the conventional sense. Recommendations made in the Manual on Statistics of International Trade in Services (MSITS) for the development of such statistics are made with the underlying concern to build upon existing principles and classifications, without altering these.

Sub-section 2 provides an overview of the fundamental concepts of the 5th edition of the IMF *Balance of Payments Manual* (BPM5) that underpin the measurement of trade in services. While keeping full consistency with the BPM5 concepts and classification, MSITS provides a more detailed classification of trade in services statistics (the Extended Balance of Payments Services Classification – EBOPS), which is presented in **Sub-section 3**. MSITS also makes recommendations for the production of a geographical breakdown of trade in services data (**Sub-section 4**) and proposes a simplified approach to allocate services transactions statistics to the four modes of supply (**Sub-section 5**).

Principles of recording such trade

The residence concept is a key concept for the measurement of services transactions between residents and non-residents. Other essential concepts relate to the valuation and the time of recording transactions. These main principles, which are in line with those of BPM5 and the System of National Accounts, 1993 (1993 SNA), are described below.

Transactions and residence of transactors

A country's BOP is a balanced statistical statement that summarises the economic **transactions** of its residents with the rest of the world. A transaction is an economic flow that involves change of ownership of goods and/or financial assets, the provision of services, or the provision of labour or capital. Services international transactions are in practice referred to as trade in services. These transactions are in general to be recorded **gross**, with each service item displaying a **credit** and a **debit** value, representing respectively exports and imports of that service.

The **residence** concept is not based on nationality or legal criteria but on a transactor's centre of economic interest. Further, because territorial boundaries recognised for political purposes may not always be appropriate for economic purposes, the economic territory of a country is used as the relevant geographical area to which the concept of residence is applied.

The **economic territory** of a country consists of the geographic territory administered by a government. It also includes territorial enclaves such as embassies, consulates, and military bases located in foreign countries.

It is not always straightforward to determine precisely whether an institutional unit has a **centre of economic interest** within a country, and thus is resident in this country. It is deemed that an enterprise has a centre of economic interest in an economy when it engages or intends to engage in economic activities on a significant scale, and over a long time period,

within the economic territory of that country. A household has a centre of economic interest where it maintains one or more dwellings within the country that members of the household use as their principal residence.³

A period of one year or more is suggested as a flexible guideline (the “one-year rule”) for determining residence (centre of economic interest).

Other principles of recording

Market price (i.e. the price at which buyers and sellers trade the item in an open marketplace) should be used as the basis for **valuation** of international transactions in services. In certain circumstances, such as exchanges between affiliated enterprises (related enterprises integrated under same management), the pricing adopted for bookkeeping purposes (“transfer pricing”) may not always be based closely on market considerations. Because it may be very difficult to evaluate a market price for the recording of such transactions, BPM5 acknowledges that in most cases such an evaluation or imputation would not be applied. In practice, if certain transfer prices are so divorced from those of similar transactions that they significantly distort measurement, they should either be replaced by market price equivalents or be separately identified for analytical purposes.

The appropriate time to record transactions in services is the **time at which they are rendered** (that is, when they are delivered or received). This may differ from the time at which payment is made or received, which may be either before or after the transaction takes place. Thus transactions should be recorded, whenever possible, on an accrual rather than a cash accounting basis.

Transactions may take place in a range of currencies, including the domestic currency of either the provider or the consumer of the service. To produce meaningful statistics, however, it is necessary for the compiler to convert all transaction values to a **common unit of account**. Most often, the common unit will be the national currency; this will facilitate the use of such statistics in conjunction with other economic statistics relating to the domestic economy. However, in some cases such as a significant depreciation of the national currency or hyperinflation, it may analytically be more useful to express transactions in another, more stable currency. The most appropriate exchange rate to be used in converting transaction values from the currency of transaction to the currency of compilation is the market rate prevailing at the time the transaction takes place.

The Extended Balance of Payments Services classification

Main principles

EBOPS provides for the production of statistical information at a level of detail that, among others, meets needs for information in the framework of GATS negotiations. It builds upon the BPM5 classification of services. In BPM5 the 11 main items are also broken down into a list of standard and supplementary components. EBOPS consists of a **further breakdown of these components** into more detailed sub-items, and is therefore consistent with BPM5. EBOPS also contains several “memorandum items” for the recording of useful additional information regarding transactions in various services sectors such as freight transportation, travel, or insurance services.

³ Civil servants and military personnel employed abroad in government enclaves, and their dependants, continue to have centres of economic interest (i.e. they are residents) in their home countries.

Like the BPM5 services classification, EBOPS is primarily a **product-based classification**. Items of these classifications may be described in terms of the Central Product Classification Version 1.0 (CPC Ver. 1.0), which is the standard international product classification.⁴ In order to facilitate the use of statistics based on EBOPS for GATS purposes, MSITS provides, as an annex, tables of correspondence between EBOPS, CPC Ver. 1.0 and GNS/W/120 (the list of service sectors which is generally used as a basis for GATS negotiations).

MSITS recognises that it will not be possible for all compilers to immediately develop statistics at the detailed component level specified in EBOPS, and puts the highest priority on the development of statistics on international trade in services at the level described in BPM5. Where the breakdown of the main EBOPS components is developed, it should be carried out in stages. Compilers should commence with the disaggregation of services of major economic importance to their own economies and data on related memorandum items should also be produced if these are immediately available as a result of the data compilation process.

EBOPS components

EBOPS, like BPM5, includes eleven main services components which are listed below. The entire classification is provided in Annex II, and complete definitions of the components are given in MSITS.

- ***Transportation*** covers all transportation services performed by residents of one economy for those of another and that involve the carriage of passengers, the movement of goods (freight), rentals (charters) of carriers with crew, and related supporting and auxiliary services. In addition, EBOPS distinguishes eight modes of transportation – sea, air, space, rail, road, internal waterway, pipeline, and other supporting and auxiliary transportation services.
- ***Travel*** differs from most other internationally traded services in that it is the consumer of these services that gives *travel* its distinctive characterisation. Thus *travel* does not refer to a particular product and covers expenses for goods and services (including accommodation, food, souvenirs, etc.) acquired by the traveller during his visit abroad. In line with the concept of residence, only persons staying in the visited country for less than one year are regarded as travellers. If they stay more than one year, they are considered to be residents of the visited country. This guideline does not apply to students and patients receiving health care abroad, who remain residents of their economies of origin even if they stay longer than one year. With respect to the purpose of the trip, travel is subdivided into *business travel*, and *personal travel*. The latter can be further divided into – *health-related expenditure*, *education-related expenditure*, and all *other personal travel expenditure*.⁵
- ***Communications services*** can be further disaggregated into two sub-components, *postal and courier services*, and *telecommunication services*.
- ***Construction services*** covers work performed on construction projects and installation by employees of an enterprise in locations outside the territory of an enterprise. *Construction services* is further disaggregated into *construction abroad* and *construction in the compiling economy*.

⁴ However, correspondences cannot be established in the areas of *travel*, *construction services*, and *government services*, *n.i.e.*, which focus on the mode of consumption of goods and services, rather than on the type of product consumed.

⁵ An alternative disaggregation of travel services is included in the EBOPS' memorandum items distinguishing between *expenditure on goods*, *expenditure on accommodation and food and beverage serving services*, and *all other travel expenditure*. It allows the allocation of expenditure on services to Mode 2.

- **Insurance services** covers the provision of various types of insurance to non-residents by resident insurance enterprises, and vice versa. *Insurance services* are further subdivided into five components – *life insurance and pension funding*, *freight insurance*, *other direct insurance*, *reinsurance*, and *auxiliary services to insurance*. Information on *gross premiums* and *gross claims*, which may be the basis for estimating the service charge, is included in the memorandum items.
- **Financial services** covers financial intermediation and auxiliary services, provided by banks, stock exchanges, factoring enterprises, credit card enterprises, and other enterprises.
- **Computer and information services** are subdivided into *computer services* (hardware and software related services and data processing services), *news agency services* (provision of news, photographs, and feature articles to the media), and *other information provision services* (database services and web search portals).
- **Royalties and license fees** are divided into *franchises and similar rights* and *other royalties and license fees*. The former comprises international payments and receipts of franchising fees and the royalties paid for the use of registered trademarks. *Other royalties and license fees* include transactions for the authorised use of patents, copyrights, and industrial processes and designs and the use, through licenses of produced originals or prototypes (such as manuscripts and computer programs).
- The coverage of **other business services** is identical to that of BPM5 but it provides much more detail. This category includes *merchandising*; *other trade-related services*; *operational leasing services*; and *miscellaneous business, professional, and technical services*, including *legal services*; *accounting, auditing*; *business and management consulting and public relations services*; etc.
- **Personal, cultural, and recreational services** comprises *audiovisual and related services* and *other personal, cultural, and recreational services*. The first component includes services and fees related to the production of motion pictures, radio and television programs, and musical recordings. *Other personal, cultural, and recreational services* includes services such as those associated with museums, libraries, archives, and other cultural, sporting, and recreational activities. EBOPS provides for the production of additional information within the latter item among two separate sub-components: *education services* and *health services* that are important for trade negotiating purposes.
- **Government services, n.i.e.**, covers all government and international organizations' transactions not contained in other EBOPS items. It can be subdivided into services transacted by *embassies and consulates*, by *military units and agencies*, and all *other* transactors. Note that GATS does not cover services supplied in the exercise of governmental authority.

For various analytical purposes, compilers may wish to aggregate service and non-service transactions to provide information on areas of particular interest or concern to users, such as all transactions relating to health care, educational, environmental or audiovisual activities. As an example, MSITS provides a suggested aggregation of transactions, the memorandum item *audiovisual transactions*, which includes services transactions that relate to audiovisual activities (audiovisual services, royalties and license fees, and also the acquisition and disposal of non-produced, non-financial assets such as patents, copyrights, trademarks and franchises). Compilation of this item is recommended for its analytical usefulness, and for its particular relevance to GATS' negotiations.

Statistics by trading partner

There is a need for detailed geographical allocations of the statistics on the various types of services supplied and consumed by each economy according to the country of residence of

trading partners. Such statistics give a firm basis for the multilateral and bilateral trade in services negotiations, and are important for a variety of analytical purposes. For instance, bilateral comparisons of a country's data with those of a trading partner, through the use of "mirror statistics", are an important tool for investigating and improving data quality.

One of the core recommendations of MSITS is that countries should compile statistics on international trade in services on an **individual trading partner** basis, at least at the level of services trade as a whole and the **11 main components** of the BPM5 classification of services, and where possible at the more detailed EBOPS level. However, it may be very resource-intensive and difficult (disclosure or incomplete information) for compilers to develop statistics on trade in services by trading partner. Thus, it is suggested that countries start compiling these statistics at least for **their main partners and in their most important services sectors**. It is also recommended that, to the extent possible, compilers use an identical geographical basis for all related sets of international trade in services statistics (including FATS statistics).

Allocation of BOP/EBOPS items to modes of supply⁶

MSITS acknowledges that compilers will not be able to identify the real and full complexity of allocating each EBOPS type of service by GATS modes of supply. As a first step, it proposes a **simplified approach**, operational in the current statistical context and consistent with international statistical standards, which is based on the determination of the location of the supplier at the time of the service transaction. It is supposed, as a first approximation, that a given service category in the BOP accounts corresponds to only one or two **dominant** mode(s) of supply.

According to this methodology, the following EBOPS services, when exchanged between residents and non-residents, are deemed to be predominantly delivered through Mode 1 (cross-border supply): *transportation* (except *supporting and auxiliary services* to carriers in foreign ports, which should be allocated to Mode 2), *communications*, *insurance*, and *financial services*, and *royalties and license fees*. All services recorded under item *travel* (i.e. excluding goods) should be allocated to Mode 2 (consumption abroad).

The picture is more complex for the remaining commercial services, which may involve significant elements of two modes of supply: *computer and information services*; *other business services*; and *personal, cultural, and recreational services* may be delivered through Mode 1 and Mode 4; *construction services* may be provided through Mode 3 and Mode 4. **Further work is necessary** to determine an allocation of these statistics to modes of supply.

For further information...

- ☛ *general*: MSITS Chapter III
- ☛ *on BOP concepts and definitions*: BPM5, Chapters IV through VII and www.imf.org/bop
- ☛ *on the allocation of services items to modes of supply*: MSITS, Section II.D.4

⁶ Please note that Mode 3 (commercial presence) is primarily concerned with FATS and that a number of other additional indicators are used to assess Mode 4 (presence of natural persons). These statistics are respectively presented in Section III and Section IV.

FOREIGN AFFILIATES TRADE IN SERVICES STATISTICS

This section sheds light on methodological aspects of foreign affiliates trade in services statistics: firms covered, economic variables pertinent to study foreign affiliates activities and classification of data (by country and by activity and/or services product).

Introduction

The international delivery of a number of services requires close and continuous contact between producers and consumers, which can often only be achieved through locally established affiliates (i.e. GATS Mode 3, commercial presence). To allow the measurement of this particularly important channel of delivery⁷, MSITS recommends the implementation of the **Foreign Affiliates Trade in Services (FATS)** statistical framework. It provides guidelines for the production of indicators on the operations of both resident affiliates of foreign firms (**inward FATS**), and affiliates abroad of resident firms (**outward FATS**). Apart from providing indicators on Mode 3 trade in services, FATS statistics provide general indicators that help understand the phenomenon of globalisation.

Sub-section 2 presents criteria for determining the population of foreign producers for consideration in FATS statistics as well as indications for choosing the statistical unit within that population. It also discusses the time of recording statistics. **Sub-section 3** presents the variables of most interest for economic and policy analysis, while **Sub-section 4** describes how to break down the variables in order to draw a complete picture of foreign affiliates' activities.

Principles for recording FATS statistics

Principles for recording FATS statistics are in line with international statistical standards, especially those governing the measurement of foreign direct investment (FDI) within BPM5 and the *OECD Benchmark Definition of FDI*, 3rd Edition (BD3). The FDI universe is introduced in the first subsection as it enables the understanding of the universe of FATS statistics. Furthermore, FDI statistics may provide interim indicators of commercial presence for those countries that have not yet begun to compile FATS statistics.⁸

The FDI universe

FDI is the category of international investment that reflects the objective of a resident entity in one economy (the direct investor) to obtain a **lasting interest** in an enterprise resident in another economy (the direct investment enterprise). The lasting interest implies the existence of a long-term relationship between the direct investor and the enterprise, and a significant degree of influence of the investor on the management of the enterprise.

The **direct investment enterprise** is an incorporated or unincorporated enterprise in which a direct investor owns 10% or more of the ordinary shares or voting power (for an incorporated enterprise) or the equivalent (for an unincorporated enterprise). It may be (i) a **subsidiary** (a majority-owned corporation), (ii) an **associate** (a corporation owned at 10-50 percent) or (iii) a **branch** (wholly or jointly owned unincorporated enterprises) of the foreign direct investor.

⁷ Although only fragmentary data are available, it is estimated that the value of services delivered through foreign affiliates is substantially higher than the value of services traded on a BOP basis (See Section I.1.b).

⁸ FDI statistics comprise initial investments and subsequent transactions between related enterprises. They cover direct investment financial transactions (recorded primarily on a directional basis), direct investment income (accruing to the direct investor) and direct investment positions (value of the stock of direct investment at the end of the reference period).

Direct investors may be individuals, incorporated or unincorporated public or private enterprises, associated groups of individuals or enterprises, Governments or government agencies, or other organizations that own direct investment enterprises in economies other than those in which the direct investor resides.

Firms covered in FATS statistics

FATS statistics generally cover only those affiliates controlled by a foreign direct investor. For statistical purposes, the relevant population for FATS statistics comprises affiliates that are majority-owned by a single direct investor⁹ holding more than **50 % of ordinary shares or voting power**.¹⁰ Thus, the statistical population of FATS statistics is a **subset of the FDI universe**, which comprises subsidiaries and branches, but excludes associates. It should be noted that FATS statistics reflect all operations of the affiliates concerned rather than being prorated according to the ownership share of the foreign parent firms.

Because FATS as used here stands for foreign affiliates trade in *services*, it might be expected that FATS statistics should cover producers of services only. However, **they cover producers of goods and services** alike. Some firms produce both goods and services, and it is only by the coverage of all producers that the activities of firms producing services as a secondary activity will be reflected in the statistics. In addition, coverage of all producers allows for the activities of services producers to be seen in the context of statistics covering all firms.

Statistical units

FATS statistics may be collected either at the **enterprise** (company) **level**, or at the individual business location or **establishment level**. The units employed can strongly influence the interpretation of the statistics (see example below) and either basis has its strengths and weaknesses (difficult allocation of some variables among establishments of an enterprise, different costs for data collection, etc.). As these statistics are often derived from existing statistical systems in which the units are already defined, MSITS makes no recommendation on which statistical units should be used, but recommends that FATS statistics disclose the units used in explanatory notes.

For example, suppose an enterprise has two establishments – one that provides financial services and one that provides information services. Suppose further that the financial services establishment accounts for 60 percent of the enterprise's sales, and that the information services establishment accounts for the remaining 40 percent. In establishment-level statistics, the sales would be recorded in the two industries in the proportions indicated. In enterprise-level statistics, by contrast, the entire enterprise would be classified under a single industry (financial services, if the distribution of sales were used as the basis for classification), in which case all the sales would be recorded in that industry and none in the other one. However it is more costly to collect the information from establishments than at the enterprise level.

⁹ In this respect, an associated group of investors acting in concert is considered as a single investor.

¹⁰ Some firms other than those majority-owned by a foreign investor are recognised to be of interest, either in the context of the GATS or in studies of globalisation (e.g. firms that are exactly 50-percent-owned by a foreign investor, firms in which there is collective majority ownership by multiple foreign investors). MSITS encourages compilers to provide separately identified supplemental statistics, along with appropriate explanatory notes, covering such cases of interest.

Time of recording

As for other economic statistics, guidelines for FATS statistics recommend that variables be measured and recorded on an **accrual basis** (i.e. in the period in which the transaction occurs rather than, for example, under the period in which the related payments are made). Flow variables, such as output and value added, should refer to a reference year, while stock variables, such as assets and net worth, should refer to the end of a reference year.

The basis should be the calendar year. However, for some countries, only fiscal or accounting year data are likely to be available. These countries are encouraged to provide explanatory notes indicating this and providing any information on the extent to which fiscal and calendar years deviate in their FATS universe.

Economic variables for FATS

A wide range of economic data or variables – operational or financial – regarding FATS may be pertinent for analytical and policy purposes. MSITS recommends that the FATS variables to be collected include at least the following basic measures of foreign affiliate activity: **sales** (turnover) and/or **output, employment, value added, exports and imports of goods and services, and number of enterprises**. A description of these measures is given in Annex III.

Although these variables constitute a basic set that can provide answers to a variety of questions, additional measures of foreign affiliate activities may prove useful in addressing specific issues. MSITS suggests that the following **additional variables** be considered for collection in a second stage by countries able to compile them: **assets, compensation of employees, net worth, net operating surplus, gross fixed capital formation, taxes on income, and research and development expenditures**.

Most of both the “basic” and the “additional” variables are drawn from 1993 SNA.

Attribution (classification) of FATS variables

FATS variables may be distributed following two main breakdowns. The **geographical breakdown** indicates where the production took place, and which country is the owner of the producing affiliate. The **primary industrial activity breakdown** of the producer indicates which sector of activity is concerned. Moreover, some variables may be classified by product. The recommendations of MSITS on each of these breakdowns are given below.

By country

In breaking down variables by country, the issues to be addressed depend on whether the statistics are on inward FATS or outward FATS.

For **inward FATS**, the question is either to attribute the transaction to the immediate investing country or to the ultimate investing country. MSITS recommends that the country of the **ultimate beneficial owner** (UBO) of the affiliate be the primary basis of the geographical breakdown. The country of the UBO is the country that ultimately owns or controls – and that derives the primary benefits from owning or controlling – the affiliate. For example, if a French company indirectly owns an affiliate in Russia, through its wholly owned subsidiary in the Netherlands, then in inward FATS statistics compiled by Russia, France should be the owner country. However, considering that information on immediate owners (or “first foreign parents”) may be available as a by-product of FDI data, and to

facilitate comparisons with those data, MSITS encourages countries to also compile data broken down according to the country of the immediate owners.

For **outward FATS**, there are two options. The variables could be attributed to the country of location of the affiliate (**immediate host country**) or – if the ownership is through a directly held affiliate located in another country – to the country of that affiliate (**ultimate host country**). MSITS recommends attributing them to the country of the affiliate whose operations are described by the variables.¹¹ This treatment is indeed the most relevant for revealing the country of location of the affiliate in which the direct investor’s commercial presence exists. For example, if a British company owned an affiliate in the United States through a holding company located in Bermuda, then in British outward FATS statistics the affiliate should be classified in the United States rather than in Bermuda.

By activity (industry) and by services product

All FATS variables should be allocated to the **industrial activities of the producers**. MSITS provides an activity classification for FATS variables drawn from the International Standard Industrial Classification of All Economic Activities, Revision 3 (ISIC Rev.3). This classification, termed **ISIC Categories for Foreign Affiliates (ICFA)** is shown in Annex IV. The categories provided in ICFA cover all economic activities with more detail for services than for goods.

The data recorded against any given ICFA category must be interpreted as an **indication of the principal activity** of firms rather than as a precise measure of the activity itself. The industry where a given firm is classified only reflects the most important activity carried out. For example, computer services may be provided not only by firms classified in the computer services industry but also by firms classified in computer manufacturing and computer wholesale trading. Similarly (though in reality less commonly), computer services firms may engage in manufacturing or wholesale trade as secondary activities. Statistics shown for the activity “computer services” would thus misstate the value of the activity, both by excluding the computer services provided by manufacturers and wholesale traders and by including the manufacturing and wholesale trade activities of computer services firms.

For this reason, as well as because of differences in the classifications themselves, the extent to which data on resident/non-resident trade classified according to **EBOPS can be aligned with data on FATS variables classified according to ICFA** is inherently limited. Nonetheless, a correspondence between the two bases of classification (provided in MSITS) may be useful for some purposes, especially in sectors where firms are specialised and do not tend to have significant secondary activities. For example, if legal services were performed only by law firms and law firms tended to perform legal services alone, then sales recorded under the activity “legal services” would correspond closely to sales of legal services, as they would be recorded under a product classification.

Although MSITS recommends as a first priority to breakdown FATS statistics by activity, it encourages countries, as a **longer term goal**, to work towards breaking down a number of variables such as sales, exports and imports, by types of services produced and sold.¹² Data on a product basis would allow the identification of specific types of services delivered through commercial presence. Any product detail for FATS that is available or can be

¹¹ It should be noted that FDI transactions recorded in the BOP framework are attributed to the immediate host country, which is appropriate for tracking financial flows and positions.

¹² Other variables such as value added and employment cannot be classified by product.

developed should be broken down on a **basis compatible with EBOPS**. If this level of specificity cannot be achieved, countries may wish to disaggregate sales in each industry as between sales of goods and sales of services, as a first step toward a product breakdown.

For further information

☛ *General:* MSITS, Chapter IV

☛ *FDI definitions:* OECD Benchmark Definition of Foreign Direct Investment, 3rd Edition and BPM5 (www.imf.org)

THE MOVEMENT OF NATURAL PERSONS

From this section, readers will gain knowledge of the major issues relating to the definition of Mode 4 delivery of services (presence of natural persons) and how these relate to statistics. This section also sheds light on the extent to which existing data may be used as indicators on Mode 4. It finally suggests possible ways for fine-tuning statistics to better monitor Mode 4.

Introduction

MSITS recognises that a comprehensive statistical framework for the measurement of Mode 4 still needs to be developed. As a first step an annex on the movement of natural persons (MSITS' Annex) was included in the manual. Progress has been made since MSITS was prepared, but at present, it is difficult to define the coverage of Mode 4 delivery of services (**Sub-section 2**). **Sub-section 3** examines statistical sources which could be used to help assess this mode of supply and also present possible ways for improving its measurement.

The movement of natural persons in GATS

GATS and its *Annex on Movement of Natural Persons Supplying Services Under the Agreement* (GATS Annex) do not provide a precise definition of Mode 4 which could be immediately used for statistical purposes.

GATS qualifies Mode 4 as being “the supply of a service ... by a service supplier of one Member through **presence** of natural persons of a Member in the territory of any other Member”. The scope of Mode 4 is further described in the GATS Annex:

- it covers both **natural persons who are service suppliers** (self-employed) and **employees of a service supplier**;
- the movement is **temporary**: measures regarding citizenship, migration, residence and employment on a permanent basis are excluded from the Agreement. Mode 4 relates to services whose delivery constitutes the only purpose of the suppliers' movement.

Mode 4 can therefore be described in terms of purpose of stay and duration. The supplier gains entry to fulfil a service contract, or as an employee, with respect to the supply of a service under GATS. When the service has been delivered, the natural person should leave the country.

Mode 4 service suppliers

From the point of view of **recipient/importing countries**, Mode 4 comprises services delivered in the framework of (a) **service contracts with foreign service suppliers** (whether the individuals providing services themselves or their employers), and (b) **employment contracts** between enterprises established in the host country and foreign individuals.

The coverage of Mode 4 service suppliers remains vague, as for instance:

- in the case of employment contract in the host country, considerable debates exist on whether Mode 4 should refer only to foreigners employed by foreign companies established in the host economy or if those working for domestically owned firms are also relevant;
- it is not always easy to determine what constitutes the supply of a service: for example, should fruit-pickers be viewed as temporary agricultural labourers (outside the scope of Mode 4) or as suppliers of fruit-picking services?
- although Mode 4 applies to service suppliers whatever their skills, for the time being many WTO members' commitments are generally focusing on highly-skilled workers.

“Temporary”: a key issue in the measurement of Mode 4

GATS does not define what temporary presence refers to. As stated above, the Agreement only specifically excludes measures regarding citizenship, migration, residence and employment on a permanent basis. In practice, when defined in countries’ schedules of commitments, the length of stay related to Mode 4 varies between about three months for business visitors up to between two to five years for intra-corporate transferees.

WITHIN INTERNATIONAL STATISTICAL STANDARDS (BPM5, 1993 SNA AND UN RECOMMENDATIONS ON STATISTICS OF INTERNATIONAL MIGRATION, REVISION 1), THE DISTINCTION BETWEEN TEMPORARY AND PERMANENT PRESENCE IS GENERALLY DETERMINED BY THE ONE-YEAR RULE, WHICH DISTINGUISHES RESIDENTS OF AN ECONOMY FROM NON-RESIDENTS. MSITS’ ANNEX NOTES THE DIVERGENCE BETWEEN THE DEFINITION GIVEN TO “TEMPORARY” BY STATISTICAL STANDARDS AND GATS AND CONCLUDES THAT AVAILABLE STATISTICAL INFORMATION ON ECONOMIC ACTIVITIES OF RESIDENTS (I.E. MORE THAN ONE YEAR) ALSO CONTAINS ELEMENTS RELATED TO THE TEMPORARY PRESENCE IN THE GATS SENSE.

Mode 4 and relations to existing classifications

MSITS' Annex stresses the relevance of a number of existing international classifications:

- **CPC Ver. 1.0** provides the basis for classifying services as products of economic activities, including those delivered by foreign natural persons supplying services;
- the ILO International Standard Classification of Occupations (**ISCO-88**) distinguishes between the different categories of employment. ISCO-88 can facilitate linkages between statistical collection and GATS negotiations;
- **ISIC Rev.3** could be relevant in the context of a lack of statistical information on the distribution of foreign employment according to occupation;
- the International Classification of Status in Employment (**ICSE-93**), is relevant to identify “independent service providers” which are often subject to GATS-specific commitments.

Statistics for measuring Mode 4

Various indicators are of interest for assessing Mode 4. Most of them relate to the different types of movement of natural persons identified in previous sections. These indicators concern the value of services traded or the number and types of persons moving across borders. Box IV.1 provides a clear picture of how different types of Mode 4 service suppliers can be linked to existing statistical areas.

Box IV.1: Different types of Mode 4 service suppliers, viewpoint of the recipient country	
Categories	Statistical coverage
I. Service contracts, delivered in the host country by independent foreign supplier, or its employee(s)	BOP: Service transactions between resident and non-residents, major BPM5 <i>services</i> components
II. Employment contracts (non-permanent), for foreigners, in all domestic firms	BOP: <i>compensation of employees</i> , with adjustments: Sectoral breakdown and duration Employment/migration statistics: short-term migrants working in services. Would need adjustments for short-term but more than one year

BOP statistics

The BOP statistical framework comprises several items that may prove useful in approximating the **value** of trade in services supplied through Mode 4: *services* items, and labour-related items.

Services components in BPM5/EBOPS may correspond to services delivered internationally through Mode 4 in the framework of service contracts with the importer: *computer and information services; other business services; personal, cultural and recreational services;* and *construction services* are thought to include significant elements of Mode 4.¹³

BOP labour-related flows are recognised as relevant for providing information to assess services delivered via Mode 4:

- ***Compensation of employees*** received from/paid to non-residents comprises Mode 4 services delivered internationally in the framework of employment contracts, generally of less than one year. It also includes the compensation of employees working in other industries (not relevant for Mode 4) and longer-term employees such as border workers and local employees of embassies abroad (not relevant for Mode 4);
- ***Workers' remittances*** (within BOP *current transfers*) may provide useful information to complement *compensation of employees*. *Workers' remittances* refers to current transfers by migrant workers who are employed in a foreign economy where they are considered to be residents (i.e. more than one year). Apart from the fact that not only services are covered, there are two limitations to the use of *workers' remittances*: it refers to the part of migrants' earning that they forward to their home country (which is only an indirect valuation of services produced) and also refers to permanent migrants;
- Within the BOP capital account, ***migrants' transfers*** (flow of goods and changes in financial assets associated with international migration) could also provide supplementary indirect information in relation to Mode 4.

A number of countries may also compile a geographical breakdown of their BOP statistics which would provide information of interest on Mode 4 service suppliers' country of origin and destination.

FATS statistics

Relevant indicators on Mode 4 could also be obtained from the **FATS statistical framework** (employment, compensation of employees), which is designed to measure commercial presence. Services supplied through employment of foreigners in resident foreign affiliates are of particular relevance for Mode 4 trade in services, and a number of commitments taken on Mode 4 concern directly intra-corporate transferees. It could prove useful to identify separately foreign non-permanent employment in FATS statistics.

¹³ For more information on the allocation of BOP/EBOPS items to modes of supply see Section II.5.

Migration statistics

Information on numbers of temporary workers moving across borders may be found in the migration/employment statistics. Elements related to the presence of natural persons are identified in the **UN Recommendations on Statistics of International Migration, Revision 1**, which includes, for example, temporary migrations for the purpose of work.¹⁴ More specifically, the UN framework covers:

- foreign border workers: those supplying services under GATS would fall under Mode 4;
- visitors and foreign business travellers: business visitors would be covered under GATS; and
- other migrant workers: some sub-categories of which are appropriate for Mode 4 within the limits of the occupation/activity. Relevant sub-categories are seasonal migrant workers, contract workers, project-tied workers and temporary migrant workers.

Other possible sources

A number of other sources of information could be of interest for trade negotiators:

- statistics on the number and type of **work permits** granted and currently valid (e.g. by duration and by occupation);
- if available, information from government-run **social security systems** and national health insurance schemes where foreigners may be distinguished;
- **statistics on arrivals and departures** monitored by immigration or tourism authorities may provide information about foreign nationals concerning their origin/destination, length of stay, purpose of visit etc.;
- **household surveys** and **population censuses** could also provide information on migrants, although they are frequently limited to the resident population, and therefore do not cover short-term visitors involved in trade in services. In addition population censuses are produced at too long intervals and available too late to monitor recent developments related to the presence of foreign workers.

Improving Mode 4 related statistics

Trade-related statistics and migration/labour statistics, which may help approximate Mode 4 trade in services, diverge widely in terms of concepts, definitions, classifications etc. The indicators presented above are often readily available, but for a much wider population than that relevant for Mode 4. The **major difficulty** in the measurement of Mode 4 is to **identify the subset** of services and workers that should be measured.

At present, little seems feasible for an accurate estimation of the **value** of services supplied through Mode 4. Much remains to be done in developing the compilation of BOP and FATS statistics so that they fulfil needs for information on trade in services. Identifying separately Mode 4 components within the *services* sub-items, or the separate identification of work performed in the service sector in the item *compensation of employees* is currently not a priority when compared to other possible improvements.

It is believed that migration/labour statistics could offer a **sounder ground for improvement**, especially if temporary employment were included. Tuning of migration

¹⁴ In practice, the coverage of countries' migration statistics might differ to some extent from the UN recommendations. For instance: some countries may use 2 years or longer periods as the borderline between short-term and long-term migration; detailed information available may not necessarily enable to identify UN categories of migrants.

statistical concepts, e.g. duration of stay, and categories of migrants and non-migrants, could be very helpful for trade policy needs. It should also be noted that it is unlikely that trade policy needs be duly taken into account in migration statistics in the short-term, and GATS Mode 4 has not been translated into precise statistical requirements. Nevertheless, existing migration/labour statistics could provide relevant proxies for GATS' Mode 4 trade.

For further information...

- ☛ *general*: MSITS Section II.4.(d) and Annex I
- ☛ *on recent developments*: ECE-Eurostat Joint Meeting on Migration Statistics, 2003: (www.unece.org/stats/documents/2003.04.migration)
 - GATS, Modes of Supply and the MSITS: the Case of the Movement of Natural Persons (WTO),
 - A Needle in a Haystack: Migration Statistics and GATS Mode 4 (OECD)
- ☛ *on existing labour and migration statistics and classifications*: ILO International Labour Migration Database, www.ilo.org

DATA SOURCES

Throughout this section, readers will learn about main systems and sources statisticians use to produce trade in services statistics. They will gain knowledge of comparability issues between country's balance of payments statistics, and how these may be addressed through effective co-operation. This section also introduces international initiatives for assessing the quality of statistics.

Introduction

BOP and FATS statistics may be collected using a wide range of sources. The ways the data are collected and compiled differ among BOP items or between inward and outward FATS, within and between countries. **Sub-section 2** below reviews the sources most commonly used for the collection of BOP services statistics and **Sub-section 3** describes the two major collection systems for FATS statistics. Finally **Section 4** tackles the issue of asymmetries of statistics and presents a number of major initiatives aimed at improving the quality of statistics.

Main data sources for BOP statistics

A number of sources exist for the collection of statistics on services transactions between residents and non-residents, of which two are generally used as a backbone of the BOP collection system: International Transactions Reporting System (ITRS) and enterprise surveys. Other existing sources are used to complement one (or a combination) of these two systems.

International Transactions Reporting System

An **ITRS** is a collection system in which **international payments channelled through domestic banks** are reported to the BOP compiler together with indications on the specific services for which the payments are made. Generally, domestic banks act as intermediaries in such a collection system, by reporting their customers' international settlements. This indirect reporting is often supplemented by a direct reporting of transactions settled outside the domestic banking system (e.g. via accounts held abroad by residents) or transactions for which only net payments are made, such as those taking place in clearing/netting schemes.¹⁵ An ITRS provides comprehensive and timely BOP statistics, involving a relatively small number of reporters. However, it somewhat deviates from the BPM5 recommendation that transactions should be measured when services are rendered rather than when payments are made (although both periods generally correspond in the case of services). It may also be difficult for the reporter to determine the exact type of service traded, which sometimes causes misclassification.

Enterprise surveys

Enterprise surveys may form the basis of the collection of service transactions between residents and non-residents. In such cases, statistics on international trade in services are often collected on the basis of a range of surveys addressed to representative samples of international transactors. Some surveys inquire on all the international transactions of the enterprises, and others address specific services items.

¹⁵ In such systems, a clearing house enables participants to settle reciprocal claims/liabilities that arose during a specific period of time by making net payments in the end of the period (e.g. payments between air transport companies made through the International Air Transport Association (IATA)).

There is no theoretical limitation to the use of enterprise surveys in collecting statistics on international trade in services. The quality of statistics obtained from surveys depends on the appropriateness of the techniques used to design samples, to prepare questionnaires and to process the results, and also depends on the quality of the business register. The latter should be kept up to date and be sufficiently documented to enable an appropriate identification of each survey's target population.

Combining ITRS and enterprise surveys

Some countries, such as the United States or the United Kingdom, operate only a system based on enterprise surveys without making use of an ITRS at all. But in many cases, countries operate **a combination** of ITRS and enterprise surveys to collect BOP statistics. Such systems can take multiple forms, which **may range from a limited use of surveys complementing a system based primarily on ITRS, to the opposite**. For instance, the French BOP collection system currently makes an extensive use of an ITRS, but complements this information with a “direct reporting” of BOP by “big players”, that is, main enterprises involved in international transactions. A different example is that of the Netherlands, where the BOP collection system changed recently from an ITRS to a survey-based system. In the new system however, a remnant of ITRS based on a simplified bank reporting was maintained to permit the identification of enterprises carrying out international transactions.

While systems mainly based on ITRS are generally under the responsibility of the national central bank, those using surveys as a main source are often operated by national statistical institutes. Whichever organization is responsible, close co-operation between these two institutions is of particular relevance especially when both sources are to be combined.

Other sources of information

Other sources may complement the information collected from ITRS and/or enterprise surveys for a more accurate measurement of residents' international transactions. A typical area of services within BOP that uses supplementary sources is the **travel** item. Many countries retrieve additional information on (incoming and outgoing) visitors' expenditures from surveys conducted in the framework of migration and tourism statistics. Other sources, such as household expenditure surveys (e.g., to arrive at weights for consumer price indices) can also provide useful information on residents' expenditures abroad.

Other data on international trade in services may also be available from **official sources** (government and monetary authorities). In some countries, efficient co-operation with government units enables the BOP compiler to retrieve some statistics on a range of services transactions. Not only information on **governments' transactions** can be used as an input for the compilation of the item *government services n.i.e.*, it may also be useful for other services-related activities, such as airport departure tax collected from non-residents (*travel*), landing and stevedoring charges collected by government authorities (*transportation*). Furthermore official sector institutions are often able to provide data as a **by-product of their various functions**. A typical area of interest for international trade in services is data that may be maintained by governments on education and health services provided to or by non-residents (*travel; personal, cultural and recreational services*).

Information obtained from **partner countries** is useful when data is not available within a country and also to validate and improve statistics of the compiling country. As discrepancies are identified and explained, compilers can improve the quality of their BOP statistics (see Section V.4). Data from international organizations are useful for aid recipient countries to compile data on technical assistance services.

Data collection systems for FATS statistics

Key features for the collection of FATS statistics

The FATS universe refers to two populations that compilers must approach in different ways. Domestic affiliates of foreign enterprises are to be surveyed directly on their activity (**inward FATS**), whereas activities of foreign enterprises that are majority-owned by domestic firms are (indirectly) measured by addressing the resident parent enterprise (**outward FATS**).

Inward and outward FATS statistics may be collected on the basis of, at various extents, several existing sources and statistics. In particular, there are likely to be links to existing data on FDI, especially for determining the FATS target population. The FDI register should enable the compiler to identify or approximate the portion of majority owned affiliates of the FDI universe. It should also provide information useful for the geographical allocation of FATS data (residence of foreign owners and foreign affiliates).

There are two basic approaches – not mutually exclusive – for developing FATS statistics:

- The first is to design **surveys with the aim of collecting FATS data** on operations of resident affiliates of foreign firms and of foreign affiliates of domestic firms. It may be considered to design **new surveys on FATS** or **add key FATS variables** to existing surveys on FDI. Making such a choice requires balancing costs and benefits of each approach. It is however commonly thought that separate FATS surveys would be preferable to avoid increasing the response burden on enterprises not concerned by foreign majority ownership and also because FDI surveys are in general conducted quarterly and require a quick turnaround. Whatever the approach chosen, surveys on FATS should strive to collect key FATS variables at the greatest possible detail of the ICFA classification, which may also raise concerns about resource availability and response burden.
- The second, which can be used only for inward FATS, **identifies the subset of existing statistics on resident enterprises referring to majority-owned foreign affiliates**. Most countries indeed conduct surveys of resident enterprises that comprise variables such as employment, turnover (may also be available broken down by product) or value added, on the basis of a detailed classification of activities. Among the data collected, FATS statistics could be obtained as an aggregation of variables across the foreign-owned population of resident enterprises.

One of the main challenges for this new statistical domain stems from the fact that the collection and definition of these statistics may draw on expertise and responsibilities that are scattered among multiple institutions, such as central banks, national statistical offices and various ministries. As it is the case for BOP statistics, close co-operation among the different institutions involved is necessary for compiling FATS statistics.

Examples of country practices

Various options can be combined for the compilation of inward and outward FATS statistics. As an example, the United States and most EU countries that compile outward FATS data collect both inward and outward FATS statistics on the basis of **FDI surveys**. Belgium uses FDI surveys for outward FATS but compiles inward FATS data on the basis of statistics collected on domestic enterprises. **Many countries compile only inward FATS**: when this is the case (e.g. Denmark, Spain...), they tend to use **existing business statistics**. Sweden produces both inward and outward FATS statistics on the basis of a specific separate survey.

Data comparability and reliability

While **means** of compiling trade in services statistics (BOP or FATS) are various, these generally strive to produce data complying with agreed concepts and definitions described in international guidelines (e.g. MSITS and BPM5). In this respect, each national system – made up of a unique combination of collection and compilation processes – bears its strengths and weaknesses. The quality of results obtained differs widely among countries, none providing a perfect picture of the reality. For instance wide discrepancies may be observed when comparing countries' statistics with data from partner countries.

BOP asymmetries

In theory when looking at bilateral statistics, imports reported by a country from a partner country should equal the corresponding reported exports of this partner ("mirror imports"). In practice, this is only exceptionally the case: the discrepancy observed between two countries' respective imports and exports are referred to as bilateral **asymmetries**. Asymmetries concern also trade flows between more than two countries, and are often monitored at the level of specific economic zones or at the global level (aggregate exports of all countries of the world should equal corresponding aggregate imports).

In its 2002 report, the IMF Committee on BOP presented the situation of global imbalances (world asymmetries) covering the period of 1995 to 2001. As regards *total services* (i.e. including government services), debits (imports) are persistently higher than credits (exports), the negative imbalance (asymmetry) being USD 24 billion in 2001 (0.8% of gross services flows, i.e. exports + imports). However, in the case of more disaggregated figures by services components and/or partners (the ones trade negotiators may be more interested in) much larger discrepancies can emerge.

Many **factors** contribute to the occurrence of such asymmetries: misallocation, implementation of different thresholds for recording transactions, different times of recording, difficult geographical identification of the counterpart, etc.¹⁶

To **address problems of asymmetries**, a number of regional and bilateral initiatives have risen that seek to reconcile statistics. In the standard procedure (termed "bottom-up"), groups of two or more countries scrutinise the main asymmetries to find their origin and take appropriate actions. As an illustration, such an exercise is regularly being performed between Canada and the United States: for a number of BOP items, these countries substitute each other's bilateral flows (deemed to be more reliable) for the data originally compiled. Another approach is also currently being tested at the level of the European Union (EU): the "top-down" method consists in building a mathematical model that distributes and eliminates intra-EU asymmetries on the basis of methodological information provided by each member state.

IMF initiatives related to data quality

In order to assess data quality, the IMF has launched during the last years two initiatives which are followed by an increasing number of countries and should foster a general improvement of statistics: the Special Data Dissemination Standard (SDDS) and the General Data Dissemination System (GDDS).

SDDS identifies **best practices** in the dissemination of economic and financial data in four areas: data coverage, periodicity and timeliness; public access to the data; integrity of the data; and data quality. In this context, quality refers to characteristics such as accuracy, adherence to international statistical guidelines, and consistency. SDDS concerns countries having or seeking access to international capital markets, and prescribes specific standards that **must** be observed by countries at the time they subscribe.

¹⁶ It is also to be mentioned that, although rare, some transactions are inherently asymmetric, such as *merchanted services*.

On the other hand, participation to **GDDS** is open to all IMF members. The approach adopted with respect to data quality is similar to the one adopted for SDDS, but is **less prescriptive** and places more emphasis on improving data quality over the **long run**.

For further information...

- ☛ *on the compilation of BOP statistics*: IMF BOP Compilation Guide (www.imf.org/bop).
- ☛ *on the compilation of FATS statistics*: MSITS section G of Chapter IV .
- ☛ *on asymmetries*: Asymmetries of Current Account in the Intra-EU Balance of Payments, Eurostat Working Papers and Studies.
- ☛ *on SDDS and GDDS*: IMF Dissemination Standards Bulletin Board. (www.imf.org)

DATA AVAILABILITY AND DISSEMINATION BY INTERNATIONAL ORGANIZATIONS

International and regional organizations collect and disseminate trade in services and foreign affiliates trade in services statistics. In this section readers are given information on data availability and dissemination: the type of indicators and breakdown published, the number of countries reporting, and the mode of dissemination of data.

Introduction

An essential element of the quality of BOP and FATS statistics is the **public access to the data**. International and regional organizations collect and disseminate trade in services statistics compiled by individual countries, which enables users to have an immediate access to a wide range of data and also allows the dissemination of statistics that are internationally comparable. Moreover, international and regional organizations encourage national compilers to produce statistics at the highest useful level of detail. The following Sections review the type of trade in services indicators and breakdowns disseminated. **Sub-section 2** focuses on the availability and international dissemination of BOP trade in services statistics **Sub-section 3** examines FATS and FDI data.

BOP trade in services data availability and dissemination

BOP/EBOPS trade in services data

BOP trade in services data collection is relatively well established and widespread according to the principles and framework of BPM5. Annex V gives an overview of the number of countries that report components and supplementary items of BPM5, as of January 2003. Between 97 and 139 countries reported export data for *transport, travel, communications services, insurance services, and other business services*; and between 46 and 62 countries reported export data for *construction services, financial services, computer and information services, and royalties and licence fees*.

Table VI.1: Countries reporting exports of selected BPM5 services components
(as a percentage of countries reporting total services)

	Reporting countries in October 97 %	Reporting countries in January 03 %
Communications services	39	76
Construction services	21	48
Insurance services	61	83
Financial services	26	60
Computer and information services	11	47
Royalties and licence fees	32	53
Other business services	92	92
Miscellaneous business, professional and technical services	44	72
Legal, accounting, management, consulting, public relations serv.	8	31
Advertising, market research and public opinion polling services	10	25
Research and development services	7	16
Architectural, engineering and other technical services	8	22
Agricultural, mining and on-site processing services	4	15
Other services	28	49
Personal, cultural and recreational services	14	44

Sources: WTO (October 1997) and IMF monthly CD-ROM on BOP statistics (January 2003).

Table VI.1 shows the recent developments with respect to export statistics of a number of BPM5 major services components. For most of the components, the number of reporting countries has more than doubled between October 1997 and January 2003. For example, in January 2003, 60% of countries reporting total *services* exports also reported exports of *financial services*, compared to only 26% in October 1997. When looking at more detailed services items, for instance the breakdown of *miscellaneous business, professional and technical services*, the number of countries reporting this breakdown, although lower than those reporting BPM5 standard items, has also significantly increased.¹⁷

Concerning services items according to EBOPS, it is currently difficult to evaluate the capacity of countries to report statistics according to this new classification. According to the information available, an increasing number of countries is able to provide trade in services data according to part or all of this classification, and some also began breaking down these statistics by partner country.

International dissemination of BOP statistics

As may be seen in Table VI.2 below, which summarises the dissemination of statistics by international organizations, **Eurostat, the OECD and the IMF currently collect and disseminate BOP data by type of service** for their respective member countries (Eurostat is also responsible for information concerning EU candidate countries). Work-related payments (e.g. *compensation of employees, worker's remittances*) which are useful to assess Mode 4 trade in services are also collected and disseminated by these organizations. They use the IMF's internationally agreed BOP coding system that facilitates common reporting of data.

Table VI.2 Summary of BOP trade in services data dissemination by international organizations

¹⁷ BPM5 supplementary items are reported on a voluntary basis by countries. These items are present in the IMF BOP questionnaire mainly due to the fact that they are part of the joint OECD/Eurostat Trade in Services Classification, upon which EBOPS is built.

Publication	Country coverage	By type of service	By partner country
<i>IMF Balance of Payments Statistics Database</i> (book and CD-ROM)	IMF members	Yes BPM5 and EBOPS* (provided to IMF on voluntary basis)	No
<i>Eurostat New Cronos Database</i> (on-line and CD-ROM)	EU members, total EU, euro area, EU candidate countries	Yes EBOPS*	Yes 40 partner countries and partner regions
<i>OECD Statistics on International Trade in Services</i> (a joint publication of OECD and Eurostat) (book, on-line and CD-ROM)	OECD members	Yes EBOPS*	No
<i>OECD Statistics on International Trade in Services, Detailed Tables by Partner Country</i> (book, on-line and CD-ROM)	26 OECD members and Hong Kong	Total services Transportation Travel Other commercial serv. Government serv. n.i.e.	Yes 60 partner countries and partner regions
<i>WTO's International Trade Statistics</i> (book, on-line and CD-ROM)	All countries	Yes Summary data and analysis	Yes Summary data

* From 2003. Joint OECD-Eurostat Trade in Services Classification up to 2002.

With respect to **geographical breakdown**, Eurostat and the OECD collect and disseminate data broken down by partner country for their members (the OECD publication also contains data for Hong Kong as a declaring country). These data sets make it possible to partially estimate non-reporting countries' exports and imports by partner on the basis of bilateral ("mirror") data. No worldwide collection of data broken down geographically is currently available, but the United Nations Statistics Division is currently conducting feasibility studies for possible data collection.

Commercial presence: information available

Compared with trade in services in BOP, FATS statistics are at an early stage of development. Nevertheless, their collection and dissemination are taking an increasing importance **at Eurostat, the OECD and the UNCTAD**, fuelled by the growth in national activity in this area. When countries do not yet collect FATS data, FDI statistics can provide "an alternative interim indicator of commercial presence".¹⁸ The international and regional organizations are working together to co-ordinate data collection, to improve consistency of data, to avoid duplication of effort and to reduce reporting burdens on countries.

Availability and dissemination of FATS statistics

Eurostat and the OECD use a common FATS questionnaire inquiring their member countries both inward and outward FATS information, by activity (37 categories of the ISIC Rev.3 classification) and by country of origin/destination of investment. Table VI.3, derived from OECD (2001), shows that a relatively good set of FATS statistic is available. It is also possible to note the relative extensive coverage of inward FATS statistics, compared to the outward situation, due to the difficulty for national agencies to collect statistics on operations performed outside the country territory or jurisdiction.¹⁹

¹⁸ See Section III.

¹⁹ It should be noted that FATS figures, at the detailed activity/geographical breakdown level, are not disseminated due to the requirement in most countries to protect the confidentiality of individual firms' data (e.g. when it only concerns a small number of firms or when a small number of firms account for a significant part (e.g. 75%) of the figure).

Table VI.3: Availability of inward and outward FATS statistics in OECD countries

	Inward			Outward		
	Number of employees	Turnover	Value added	Number of employees	Turnover	Value added
Austria	X	X		X	X	
Belgium	X	X		X	X	
Czech Republic	X	X	X			
Denmark	X	X	X			
Finland	X	X	X			
France	X	X	X		X	
Germany	X	X		X	X	
Hungary	X	X	X			
Ireland	X		X			
Italy	X	X		X	X	
Japan	X	X	X			
Luxembourg	X	X		X	X	
Netherlands	X	X	X			
Norway	X	X	X			
Poland	X	X				
Portugal	X	X	X	X	X	X
Sweden	X	X	X	X		
Turkey	X	X	X			
United Kingdom	X	X	X			
United States	X	X	X	X	X	X

Source: OECD (2001)

The OECD conducted two surveys relating to 1995 and 1998 (or 1997). Many countries could not provide all requested data but about 20 of them provided some. The results of these two surveys were published in 2002 in *Measuring Globalisation: The Role of Multinationals in OECD Economies: 2001 Edition, Volume II: Services*. Eurostat has also several publications in the Statistics in Focus series, and publishes available FATS statistics in the reference database New Cronos, Theme 2 (outward FATS) and Theme 4 (inward FATS).

These data are provided to UNCTAD that also collects data on FDI (see below) and conducts a direct survey of multinationals. The UNCTAD publishes combined results including estimates in the *World Investment Report*.

FDI statistics as an alternative

The state of implementation regarding the collection of FDI statistics by activity of the ISIC Rev.3 and by origin and destination is well described in periodic reports on the joint OECD/IMF Survey of Implementation of Methodological Standards for Direct Investment. The latest report (March 2000) shows that 57 countries collect data on inward flows with geographic breakdowns (47 countries for outward flows), and 51 countries collect inward flows with an activity breakdown (36 countries for outward flows). Corresponding figures for FDI income flows are lower. More than 85 percent of OECD countries were able to provide geographic disaggregations of FDI financial flows and disaggregations by economic activity were almost as commonly available. However it is also noted that a significantly lower proportion of non-OECD countries were able to provide geographic and activity disaggregations. Less than half of non-OECD countries reporting FDI data also reported data with geographic disaggregations.

The **main collectors and disseminators of FDI data are Eurostat, the IMF, the OECD, and the UNCTAD**. Eurostat and the OECD use a common questionnaire to collect FDI inward and outward stocks, flows and income data, broken down by industry and by country of origin or destination. The IMF collects FDI positions, flows and income according to the components set out in BPM5, but without any industry and partner country breakdowns.

Data can be found in Eurostat's New Cronos reference database, the OECD's *International Direct Investment Statistics*, the IMF's *Balance of Payments Statistics* and UNCTAD's *Foreign Direct Investment Database*.

For further information...

☛ *on publication of BOP based statistics:*

- IMF Balance of Payments Statistics Database
- Eurostat New Cronos Database, Theme 2
- OECD Statistics on International Trade in Services (joint OECD-Eurostat publication)
- OECD Statistics on International Trade in Services, Detailed Tables by Partner Country
- WTO's International Trade Statistics (www.wto.org/English/res_e/statis_e/statis_e.htm)

☛ *on publication of FATS based statistics:*

- Measuring Globalisation: The Role of Multinationals in OECD Economics, 2001 Edition, Volume II: Services
- Eurostat Statistics in Focus series
- Eurostat New Cronos Database, Theme 2 (outward FATS) and Theme 4 (inward FATS)
- UNCTAD World Investment Report

☛ *on publication of FDI statistics:*

- IMF Balance of Payments Statistics Database
- Eurostat New Cronos Database, Theme 2
- OECD International Direct Investment Statistics
- UNCTAD Foreign Direct Investment Database

CURRENT STATE AND PROSPECTS

This section shows how the promotion and assistance in the implementation of the Manual on Statistics of International Trade in Services recommendations takes place. It reviews the progress made in terms of quantity and quality of statistics on trade in services and on activities of foreign affiliates in the services sector. It also informs on improvements needed and future work.

Introduction

International and regional organizations have been very active in the area of trade in services statistics over the past years. The Interagency Task Force on Statistics of International Trade in Services²⁰ (Task Force) developed the MSITS, which was completed in 2002. The tasks of the group are multiple and concentrate in the short term on the **promotion - and assistance in the implementation - of MSITS**, which is a first step towards the MSITS' phased implementation (**Sub-section 2**). Some results achieved to date in the measurement of trade in services, as well as ongoing work are reviewed in **Sub-section 3**. To conclude, **Sub-section 4** examines areas where improvements are necessary and medium-term plans of the Task Force.

the phased approach of MSITS to implementation

MSITS proposes a phased approach to the implementation of its recommendations so that countries, including those that are starting to develop statistics on international trade in services, can gradually structure the available information in line with this new international standard framework. This **phased approach is reflected in a set of ten recommended elements**, of which the first five are designated as core elements. Their sequence takes into account the relative ease that many compilers may find in their implementation. However, the order is quite flexible, so that countries can meet the priority needs of their own institutions.

The implementation of the **core elements** would provide a basis for internationally comparable basic data sets. These core elements are:

- the implementation of BPM5 recommendations on service transactions between residents and non-residents;
- the compilation of BOP data according to items in the EBOPS classification (beginning with items of major economic importance to the country and available related memorandum items should also be provided);
- the collection of FDI statistics by activities of ISIC Rev.3;
- the compilation of basic FATS variables, broken down by activity according to ICFA; and
- the compilation of statistics on trade in services by partner country for each of the main types of services in BPM5. (Also for FATS and FDI).

²⁰ The six International Organizations that have jointly developed and published the *MSITS* are the Organisation for Economic Co-operation and Development (OECD), the Statistical Office of the European Communities (Eurostat), the International Monetary Fund (IMF), the United Nations Statistical Division (UNSD), the United Nations Conference on Trade and Development (UNCTAD), and the World Trade Organization (WTO). The Task Force also benefits from expertise in national Organizations, particularly the US Bureau of Economic Analysis, Statistics Canada and the Deutsche Bundesbank.

The implementation of **other elements** – generally seen as a long-term goal – would represent a considerable increase in the detail of information available on trade in services.

These elements relate to:

- the full implementation of EBOPS, to the extent relevant to the compiling economy;
- the additional details in FATS statistics;
- the collection of statistics on the presence of natural persons;
- the subdivision of trade in services between residents and non-residents: separate trade with related parties from that with unrelated parties; and
- the allocation of transactions between residents and non-residents over GATS modes of supply.

Recent progress and short-term plans

The **quality and quantity of statistics on international trade in services dramatically improved** over the past years. Before 1995, with the exception of *travel* and *transport*, services in BOP statistics were all lumped together in one category named "other goods, services, and income". The detail provided has progressively improved. Thanks to the detail asked for in BPM5, there is now a multi-country data set on statistics for major services categories.

As described in Section VI.2., for most of the major BPM5 service components, **the number of reporting countries has more than doubled since 1997**. The number of countries reporting **BPM5 supplementary items has also significantly increased** between 1997 and 2003. Even though MSITS is still relatively recent, an increasing number of countries are now able to provide trade in services data according to part or all of the **EBOPS classification**, and provide statistics broken down by **partner countries**.

Up to recently, **the United States was the only country compiling FATS statistics**. It was therefore not possible to determine the magnitude of the third GATS' mode of supply: commercial presence. On a wider context, using new FATS data from the OECD together with BOP statistics, it has been estimated that trade through commercial presence surpasses the three other modes of supply together.²¹ Despite its limitations, such an estimate shows the importance of FATS trade, which had been neglected for so long in the economic/statistics literature. The importance of FATS statistics is now well recognised, and data collection has started in many OECD countries (see Section VI.3).

Eurostat is currently **preparing two regulations**, which will require from the EU member states a more detailed reporting of trade in services, using MSITS as the benchmark. One of these regulations will cover the compilation of **FATS statistics**. The other EU regulation will cover **BOP statistics** - trade in services and FDI, which embodies the EBOPS classification. EBOPS will thus become binding for EU member states. The IMF plans to collect data according to this classification from 2003 (including memorandum items) on a voluntary basis. This also generates hopes that EBOPS reporting coverage could substantially increase in the coming years.

The OECD will progressively expand its collection of BOP trade in services by partner country as recommended in MSITS. It will also request BOP trade in services broken down by EBOPS and the BOP indicators of Mode 4. The OECD is also working with Eurostat to expand FATS statistics collection. This is part of a wider OECD work on developing

²¹ see Section I.1.b.

indicators of economic globalisation. The **United Nations Statistics Division** is investigating the feasibility of collecting BOP trade in services data by partner country from non-OECD countries. The **UNCTAD** will expand data collection on FATS statistics.

PROSPECTS for trade in services statistics

Areas where improvements are needed

Statistics on international trade in services still need important improvements. Only a few countries report the full BPM5 requested detail (see Table VI.I) and the reported data often lack reliability. In addition, documentation on data coverage and deviations from standards is rarely available. Due to the infancy stage of FATS statistics, the lack of data reliability and inter-country comparability is almost a general rule. Outside the OECD area, countries have not started collecting FATS statistics. In the FATS context, confidentiality issues severely limit the amount of detail countries are able to provide.

At present, non-OECD countries are not encouraged to collect BOP statistics by origin and destination or FATS statistics, since no international organizations collect and disseminate such data. This adds to the inherent difficulties and cost to engage in such an exercise.

Even if the recommendations of MSITS related to BOP and FATS statistics were fully implemented, it would only be a first step in providing information by modes of supply, for two major reasons. First, the simplified rules provided in MSITS only lead to a rough approximation of trade in services by modes of supply. Second, a true assessment of services provided through the movement of natural persons, would require information that lies outside the BPM5 and FATS domains, and a coherent statistical framework for this mode which still needs to be completed.

Future work

In the framework of the phased approach adopted for the implementation of MSITS, the Interagency Task Force on Statistics of International Trade in Services identified the need for technical assistance to develop statistical capacities on measuring trade in services. In addition, the preparation of a **compilation guide** is under way, but this task might take some time, as MSITS covers new areas such as the movement of natural persons and FATS statistics.

The Task Force also concentrates on **further methodological work**. For instance the movement of natural persons is an area that obviously needs further improvement. Other areas of interest concern e-commerce and trade in software.

The work of the Task Force will provide helpful tools for improving statistics on trade in services. This is however a long term process and the success of this challenge depends on a number of factors:

- efforts by national agencies to employ the appropriate methodologies;
- governments' willingness to allocate the necessary resources;
- co-operation and co-ordination between national institutions, such as Central Banks, National Statistical Offices and Ministries of Trade;
- co-operation between international and regional institutions, and their support to national initiatives;
- effective technical assistance, i.e. transfer of knowledge and resources from countries having advanced statistical systems to the other countries, especially developing and least developed ones; and
- ability of international and regional institutions to provide effective compilation guidance.

For further information...

☛ *on trade in services development work, etc .:*

unstats.un.org/unsd/tradeserv

www.oecd.org/std/trade-services

Annex I – Overview of World Trade in Commercial Services and Activities of Foreign Affiliates in the Service Sector

This overview of trade in services and activities of foreign affiliates in the service sector is based on available BOP and FATS statistics. It presents:

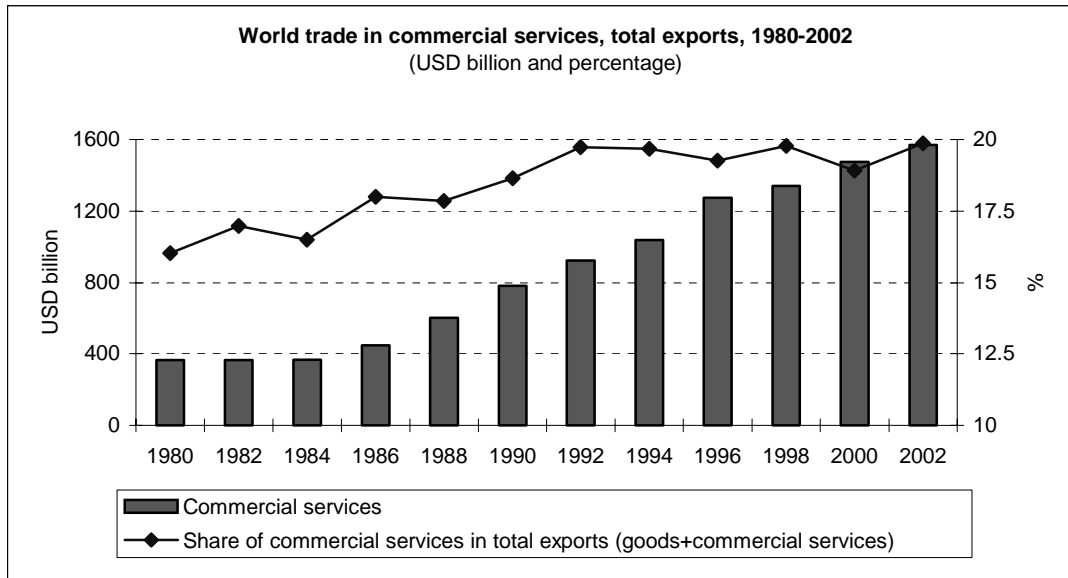
- ✓ medium/long-term trends in **trade in commercial services** between residents and non-residents, based on international **exports** measured in balance of payments statistics;
- ✓ **operations of foreign affiliates in services** measured in recent years in four countries; and
- ✓ **a comparison of US exports of services and sales of services by US-owned foreign affiliates.**

Data sources: Section 1: WTO, *International Trade Statistics*, 2003
Section 2: OECD, *Measuring Globalisation, The Role of Multinationals in OECD Economies – Volume II: Services*, 2001
Section 3: US BEA, *Survey of Current Business*, October 2002.

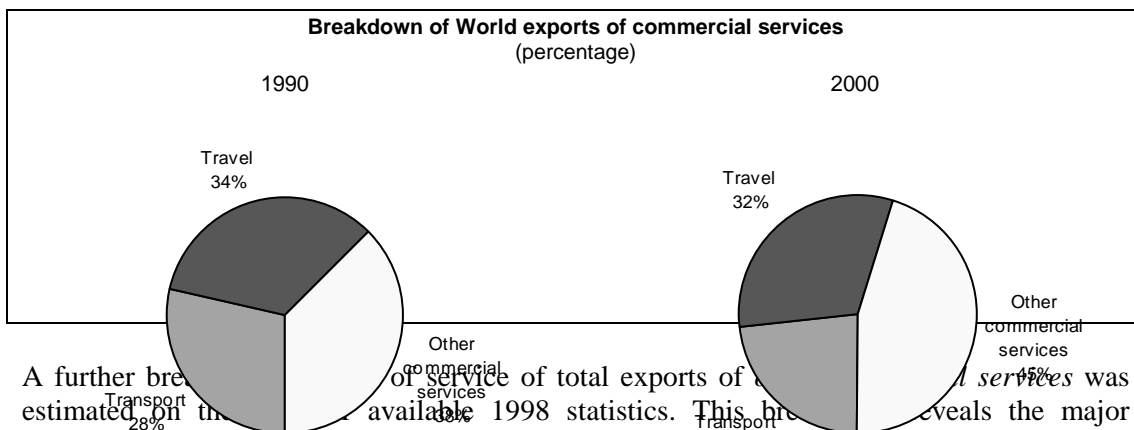
1. Structure and trends in international trade in commercial services

(a) World trade in commercial services

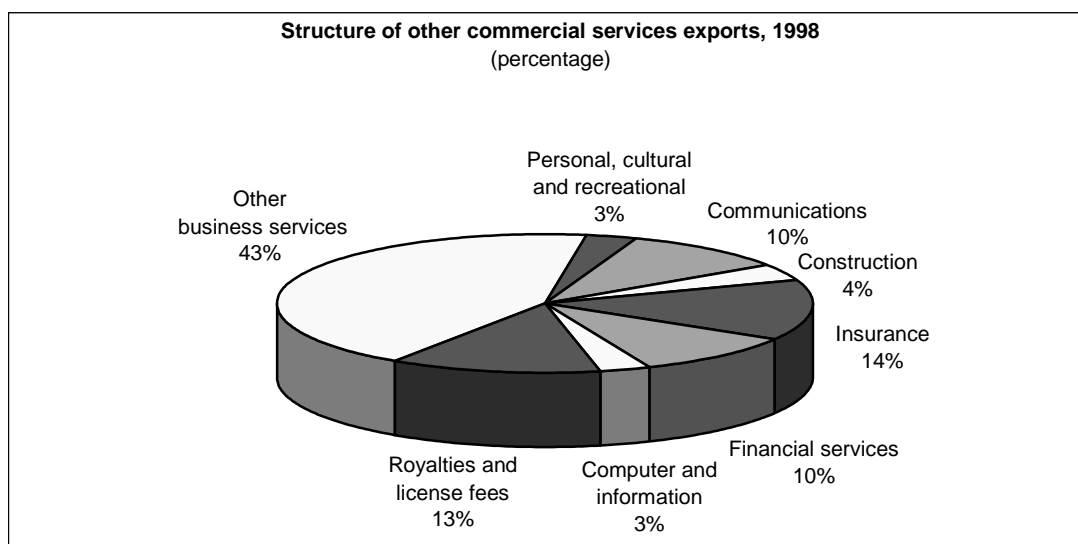
Following five years of stagnation in the 80s at less than USD 400 billion, global exports of *services* grew regularly up to 2002, reaching USD 1,570 billion, a fourfold value increase compared to 20 years earlier. The contribution of exports of commercial services to total world exports (*goods and commercial services*) also rose significantly from 16% in 1980 to almost 20% in 2002.



Between 1990 and 2000, the share of *transportation services* in total *commercial services* decreased by 5 percentage points, down to 23% in 2000, while that of *other commercial services* gained 7 percentage points (45%). The share of *travel* remained stable at approximately one third of total commercial services.

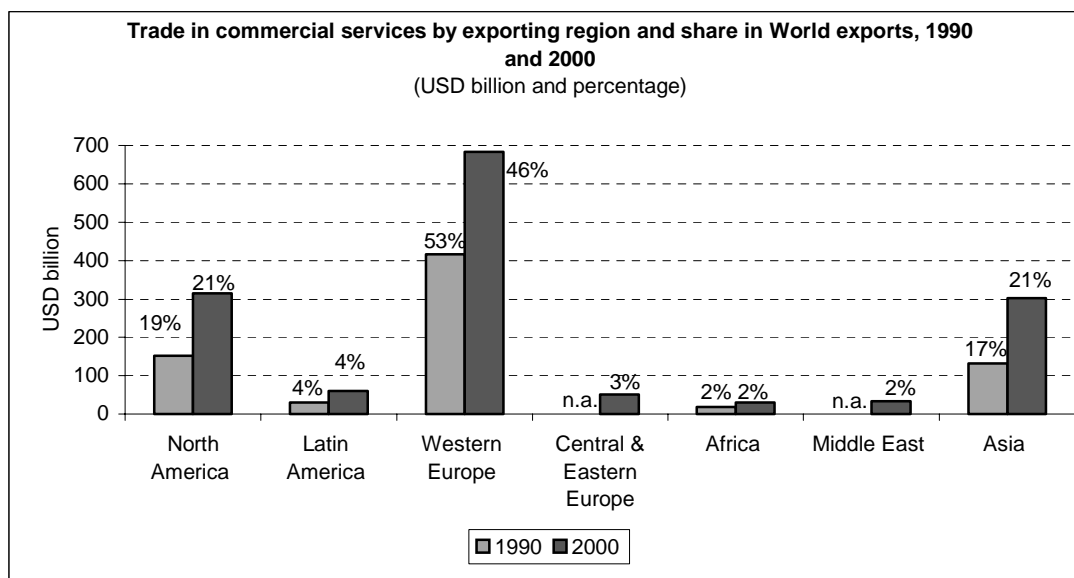


A further breakdown of service of total exports of *commercial services* was estimated on the basis of available 1998 statistics. This breakdown reveals the major importance of *other business services* (43% of *other commercial services*), which comprises activities such as merchanting and other trade-related services; operational leasing services; and miscellaneous business, professional and technical services (i.e. legal, architectural services, etc.). The following biggest shares of *other commercial services* also show the importance of *insurance services* (14% of *other commercial services* exports), *royalties and license fees* (13%), *communications services* (10%) and *financial services* (10%).



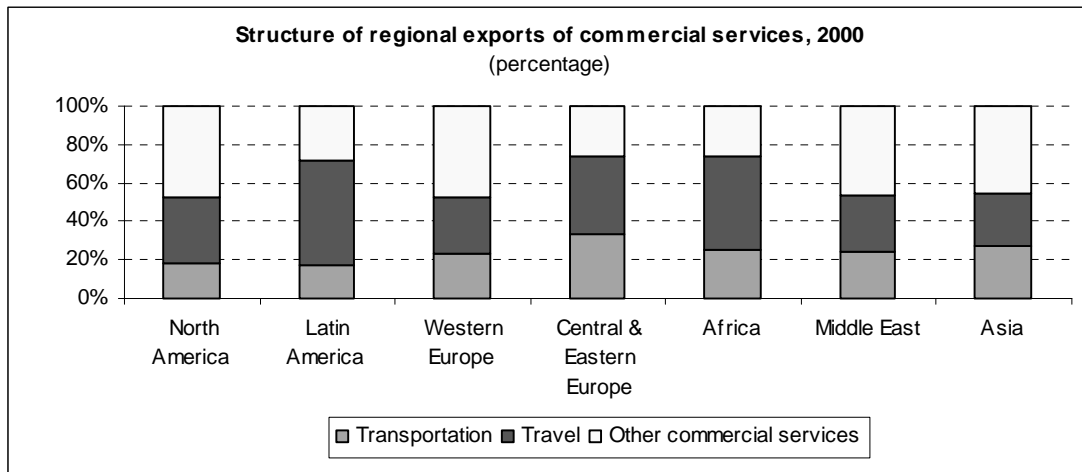
(b) *Regional trade in commercial services*

Western Europe, North America and Asia are the three main exporting regions with a cumulated share in total exports of *commercial services* of 88% in 2000. 46% of total exports of *commercial services* (USD 683.3 billion) originated from Western Europe (including trade between member states of the EU) in 2000, which is a marked decrease compared to 53% ten years earlier. While the value of Western European exports grew substantially from 1990 to 2000, the diminishing of its share stemmed principally from a faster increase in North American and Asian exports, which accounted both for 21% in 2000, compared to respectively 19% and 17% in 1990. Exports of *commercial services* by other regions also grew significantly in the 90s, although their share in world trade remained rather constant, at around 4% for Latin America, 3% for Central and Eastern Europe and 2% for both Africa and the Middle East.



In 2000, the pattern of the types of *commercial services* exported was similar in the three main exporting regions (Western Europe, North America and Asia) and the Middle East: *other services* accounted for over 45% of total services exports. In Latin America and Africa, receipts from *travel* represented about half these regions' exports of *commercial services*, and this item was also the main service exported in Central and Eastern Europe (40%). It is important to note that the share of *transportation* exports in Central and Eastern Europe is

also very high: in 2000 it represented 34%, which is 12 percentage points above the World average.



2. Activities of foreign affiliates in the services sector: selected countries

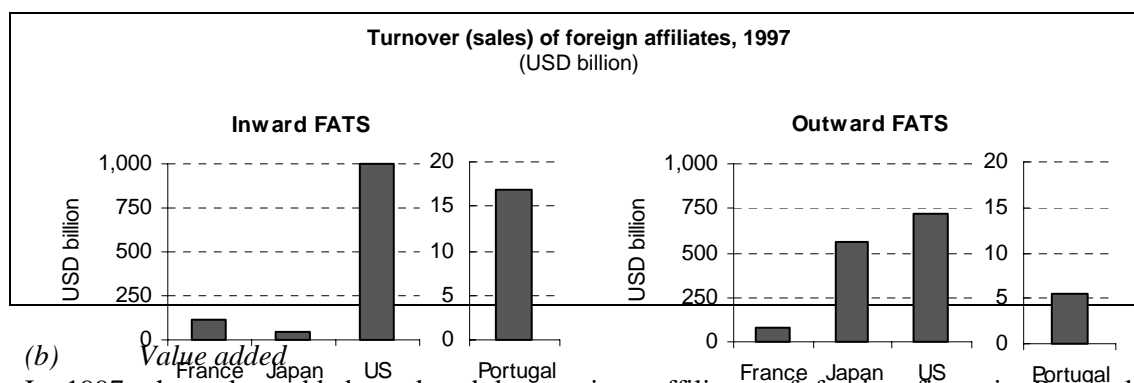
It is often necessary for services providers to establish a commercial presence through a foreign affiliate in countries they wish to trade in to be close to customers (foreign affiliates trade in services - FATS). At the global level, the WTO estimated services delivered by foreign affiliates at around USD 2,000 billion in 1998 which is substantially more than trade in services between residents and non-residents. FATS statistics are at an early stage of development and at present data are available only for a number of (OECD) countries. It is therefore not possible to review services traded through commercial presence abroad as comprehensively as trade between residents and non-residents.

This section examines statistics for 1997 compiled by **France, Japan, Portugal and the United States** for the following FATS variables: **turnover, value added, and employment**. Both inward and outward FATS are analysed.

(a) Turnover (sales)

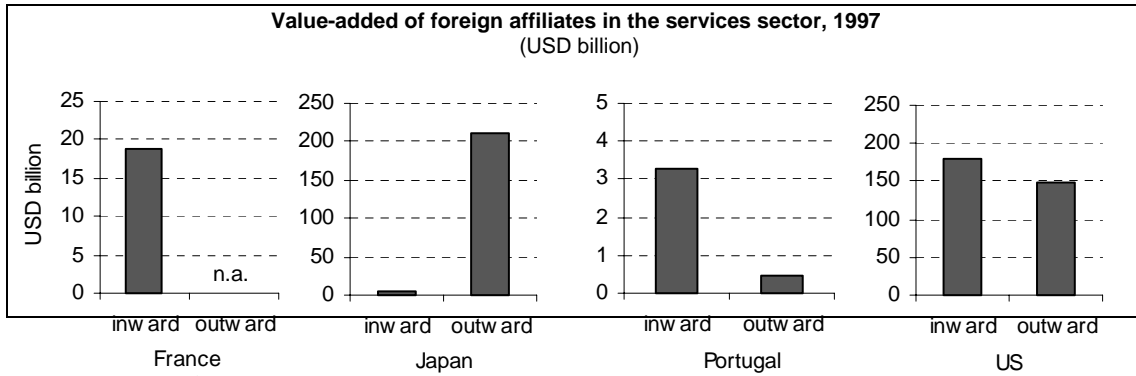
Among the four countries considered, the United States was the country in which foreign-owned affiliates performed the highest level of sales in 1997 (turnover of **inward FATS**), in the services sector: USD 996 billion. France and Japan followed, with total sales of foreign-owned affiliates in their territory of respectively USD 116 and 48 billion. Sales of foreign-owned affiliates in the services sector in Portugal were much lower, amounting to a total of USD 17 billion.

Looking at statistics on **outward FATS**, sales of Japanese foreign affiliates in the services sector (USD 557 billion) reached a level comparable to that accounted for by foreign affiliates of the United States (USD 725 billion). French affiliates abroad realised a total turnover of USD 214 billion. Portuguese-owned firms outside Portugal sales accounted for USD 6 billion.



(b) *Value added*

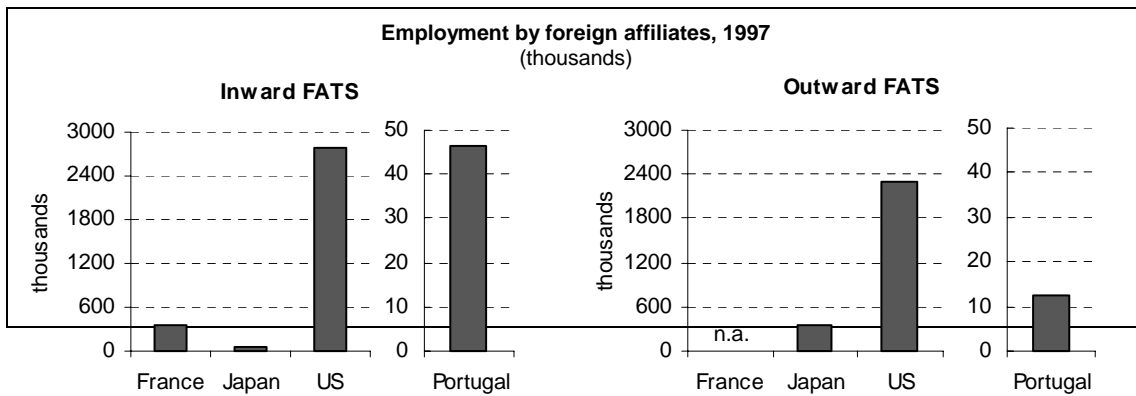
In 1997, the value added produced by services affiliates of foreign firms in Portugal (USD 3 billion) was about six times as high as that of Portuguese affiliates established outside the country (USD 0.5 billion). The Portuguese situation contrasts with that in Japan, whose affiliates abroad generated a value added of USD 210 billion, and the corresponding amount registered in this country's inward FATS statistics was estimated at USD 5 billion. With respect to the United States, the total value added recorded in statistics on inward FATS was USD 180 billion and for outward FATS 148 billion. Majority foreign-owned affiliates in France created a total value added of USD 19 billion (no value added figure is currently available for French outward FATS).



(c) *Employment*

In 1997, foreign-owned affiliates in the services sector in the United States employed 2.8 million persons. As was observed in the analysis of turnover, this was much higher than employment by foreign affiliates established in France (362 thousand), Japan (52 thousand) and Portugal (46 thousand).

Regarding outward FATS, US-owned affiliates abroad generated employment for 2.3 million persons while Japanese-owned firms outside Japan employed 343.9 thousand persons. Portuguese affiliates in the services sector outside Portugal employed 12.4 thousand persons.



3. Comparison of US exports of services and sales of services of US-owned foreign affiliates

Data produced by the U.S. Department of Commerce – Bureau of Economic Analysis (BEA) show the growing importance of sales of services of majority U.S. owned affiliates outside the U.S.²² compared to conventional "cross-border" services exports. While exports of services have long been higher than sales of affiliates of US firms abroad, these two forms of delivering services internationally reached comparable levels in 1996 (USD 223 billion). The sales of services of US majority owned foreign affiliates now largely exceed exports of services, reaching USD 393 billion in 2000 compared to USD 278 billion.



²² Please note that this information refers to sales of services products of US foreign affiliates whereas FATS data presented in the previous section refer to sales of foreign affiliates operating in the services sector, which means that for instance the latter also include sales of goods of foreign affiliates whose primary activity is classified as a service industry. For example, the US FATS sales presented in the previous section include the entire value of sales in the wholesale activity (the value of the wholesale services provided as well as the value of the goods sold), whereas the US sales of services presented in this section only include the value of the services provided (in 1997 the value of the goods sold by foreign affiliates operating in a wholesale activity accounted for approximately USD 380 billion and the actual value of the service sold was 15 billion).

Annex II – Extended Balance of Payments Services Classification

This table sets out the components of the EBOPS Classification and relates these to the components of the BPM5 and the Joint Classification of the OECD and Eurostat. For each component:

an X in the first column indicates that the component is a BPM5 standard component

an X in the second column indicates that the component is a BPM5 supplementary item

an X in the third column indicates that the component is a BPM5 memorandum item

an X in the fourth column indicates that the component is a component of the Joint Classification

the three digit number in the fifth column identifies the internationally accepted code for reporting balance of payments components.

**Annex II (cont'd): Extended Balance of Payments Services
Classification**

Extended Balance of Payments Services Classification					
	BPM5 standard components	BPM5 supplementary items	BPM5 memorandum items	Joint Classification components	Internationally accepted codes
Component					
1 Transportation	X			X	205
1.1 Sea transport	X			X	206
1.1.1 Passenger	X			X	207
1.1.2 Freight	X			X	208
1.1.3 Other	X			X	209
1.2 Air transport	X			X	210
1.2.1 Passenger	X			X	211
1.2.2 Freight	X			X	212
1.2.3 Other	X			X	213
1.3 Other transport	X			X	214
1.3.1 Passenger	X			X	215
1.3.2 Freight	X			X	216
1.3.3 Other	X			X	217
Extended classification of other transport					
1.4 Space transport				X	218
1.5 Rail transport				X	219
1.5.1 Passenger				X	220
1.5.2 Freight				X	221
1.5.3 Other				X	222
1.6 Road transport				X	223
1.6.1 Passenger				X	224
1.6.2 Freight				X	225
1.6.3 Other				X	226
1.7 Inland waterway transport				X	227
1.7.1 Passenger				X	228
1.7.2 Freight				X	229
1.7.3 Other				X	230
				X	231
1.8 PIPELINE TRANSPORT AND ELECTRICITY TRANSMISSION					
				X	232
1.9 OTHER SUPPORTING AND AUXILIARY TRANSPORT SERVICES					
2 Travel	X			X	236
2.1 Business travel	X			X	237
2.1.1 Expenditure by seasonal and border workers				X	238
2.1.2 Other				X	239
2.2 Personal travel	X			X	240

	2.2.1	Health-related expenditure		X		X	241
	2.2.2	Education-related expenditure		X		X	242
	2.2.3	Other		X		X	243
3		Communications services	X			X	245
	3.1	Postal and courier services				X	246
	3.2	Telecommunications services				X	247
4		Construction services	X				249
	4.1	Construction abroad				X	250
	4.2	Construction in the compiling economy				X	251

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	BPM5 standard components	BPM5 supplementary items	BPM5 memorandum items	Joint Classification components	Internationally accepted codes
5 Insurance services	X			X	253
5.1 Life insurance and pension funding				X	254
5.2 Freight insurance				X	255
5.3 Other direct insurance				X	256
5.4 Reinsurance				X	257
				X	258
6 Financial services	X			X	260
7 Computer and information services	X			X	262
7.1 Computer services				X	263
7.2 Information services				X	264
7.2.1 News agency services					889
7.2.2 Other information provision services					890
8 Royalties and license fees	X			X	266
8.1 Franchises and similar rights					891
8.2 Other royalties and license fees					892
9 Other business services	X			X	268
9.1 Merchanting and other trade-related services	X			X	269
9.1.1 Merchanting				X	270
9.1.2 Other trade-related services				X	271
9.2 Operational leasing services	X			X	272
9.3 Miscellaneous business, professional, and technical services	X			X	273
9.3.1 Legal, accounting, management consulting, and public relations		X		X	274
9.3.1.1 Legal services				X	275
9.3.1.2 Accounting, auditing, bookkeeping, and tax consulting services				X	276
9.3.1.3 Business and management consulting and public relations services				X	277
9.3.2 Advertising, market research, and public opinion polling		X		X	278
9.3.3 Research and development		X		X	279
9.3.4 Architectural, engineering, and other technical services		X		X	280
9.3.5 Agricultural, mining, and on-site processing services		X		X	281
9.3.5.1 Waste treatment and depollution				X	282
9.3.5.2 Agricultural, mining, and other on-site processing services				X	283
9.3.6 Other business services		X		X	284
9.3.7 Services between related enterprises, n.i.e.				X	285
10 Personal, cultural, and recreational services	X			X	287
10.1 Audiovisual and related services	X			X	288
10.2 Other personal, cultural, and recreational services	X			X	289
10.2.1 Education services					895
10.2.2 Health services					896
10.2.3 Other					897
11 Government services, n.i.e.	X			X	291
11.1 Embassies and consulates				X	292
11.2 Military units and agencies				X	293
11.3 Other government services				X	294

Memorandum items					
	BPM5 standard components	BPM5 supplementary items	BPM5 memorandum items	Joint Classification components	Internationally accepted codes
1				X	853
FREIGHT TRANSPORTATION ON MERCHANDISE, VALUED ON A TRANSACTION BASIS					
1.1				X	856
1.2				X	857
1.3				X	858
1.4					862
1.5					863
1.6				X	864
1.7					865
1.8					868
2					
2.1					869
2.2				X	870
2.3					871
3			X	X	874
3.1					875
3.2					876
3.3					877
4			X	X	879
4.1					880
4.2					881
4.3					882
5					887
6					888
7				X	893
8 ²³					894

²³ This item consists of a range of services and other transactions relating to audiovisual activities. Included are services that may be included in either *audiovisual services* or *royalties and license fees*, and also the acquisition and disposal of non-produced, non-financial assets relating to audiovisual activities, such as patents, copyrights, trademarks, and franchises.

Annex III – Description of basic variables for FATS

Any number of variables pertaining to the operations and financing of foreign affiliates may have analytical and policy relevance, but MSITS has identified five core indicators that should be included in any FATS data system: (a) sales (turnover) and/or output, (b) employment, (c) value added, (d) exports and imports of goods and services, and (e) number of enterprises. These are defined and discussed briefly below.

a) Sales (turnover) and/or output:

Sales and turnover are used interchangeably in MSITS to mean the same thing. Following the 1993 SNA, output differs from sales because it includes changes in stocks of finished goods and work in progress and because of differences in measurement applicable to activities involving trade or financial intermediation. For most purposes, output is a superior and more refined measure of economic activity. However, services activities do not involve stocks of finished goods, and changes in work-in-progress will usually be impossible to measure. In addition, sales data are easier to collect and may present more options for disaggregation. Taking these factors into account, there may be a continuing role in FATS statistics for both measures.

Sales measures gross operating revenues, less rebates, discounts and returns. Although lacking the duplication-free quality of value added, the sales variable generally presents fewer collection difficulties and thus is likely to be more widely available than value added. Also unlike value added, the sales variable indicates the extent to which foreign affiliates are used to deliver outputs to customers, irrespective of the extent to which the output originated in the affiliates themselves or in other firms. Further, sales are more comparable than value added with regard to such variables as exports and imports, which are themselves measures of sales.

In addition to disaggregation by industry and by country, other breakdowns of sales may be useful for particular purposes. One such breakdown is to distinguish among sales within the host country (local sales), sales to the country of the parent enterprise, and sales to third countries. All three types of sales result from a commercial presence by the home country in the host country. However, only the local sales represent the delivery of output within host economies and thus relate directly to the commitments made under the GATS Mode 3 by those economies. In addition, elimination of the sales to the parent country (which would already be included as imports in that country's BOP accounts) may be desired in an analysis of FATS variables in conjunction with data on the parent country's trade with non-residents, to avoid duplication.

b) Employment:

In a FATS context, employment would normally be measured as the number of persons on the payrolls of foreign affiliates. Data on employment can be used in several ways in a FATS system. For example, they can be used to determine the share of foreign affiliates in host country employment or to help determine the extent to which employment by foreign affiliates complements or substitutes for domestic (home country) employment by parent companies or other domestic firms. An industry breakdown of affiliates' employment can yield further insights into the impact of foreign-owned enterprises on specific parts of the economy. Used in conjunction with data on compensation of employees (one of the suggested "additional" variables), the employment variable may be used in examining compensation practices of affiliates relative to those of domestically owned firms.

Although data would not, in general, appear to be available to identify separately the portion of employment by affiliates that is accounted for by employees from abroad, such information, if available, could be used for elaborating on the GATS presence of natural persons Mode of supply (Mode 4).

c) Value added:

The 1993 SNA defines both gross and net measures of value added. Gross value added of an establishment, enterprise, or industry is the amount by which the value of the outputs produced exceeds the value of the intermediate inputs consumed in production. A related concept, “net value added”, is defined as gross value added less the consumption of fixed capital (e.g., depreciation). Gross value added can provide information about the contribution of foreign affiliates to host country gross domestic product. For this reason and because it may be easier to compute (because it does not require estimation of capital consumption) and thus is more widely available, the higher priority is accorded to the gross measure of value added.

Because it includes only the portion of the firm’s output that originates within the firm itself, value added is a particularly useful measure from the perspectives of both the GATS and globalization analysis. It was for this reason that the MSITS included it among the five “basic” FATS variables, even though, as a measure that may have to be estimated or derived from other variables, it may be among the more difficult variables to compile.

d) Exports and imports of goods and services:

International goods and services transactions of foreign affiliates is another basic indicator relevant to FATS. These are to be measured as outlined in BPM5 and, for services, in MSITS (and in section II of these materials). Both balance of payments data and data provided by parent enterprises and affiliates in separate questionnaires may be appropriate sources for such information. Where the data are obtained through linkages with primary data sources for BOP transactions, breakdowns by product and by origin or destination often will be possible. However, it often may prove difficult or impossible to identify the transactions of foreign-owned firms in such data. Thus, it may be possible to develop the necessary data only through the use of separate questionnaires.

If this is done, selected additional breakdowns may prove useful. For example, trade with related parties might be distinguished from trade with unrelated parties, or trade with the country of the parent enterprise might be distinguished from trade with other countries. If possible, these breakdowns should be obtained separately for goods and for services. For inward FATS, for example, that would mean disaggregating the affiliate’s exports of goods and exports of services into (a) exports to the parent enterprise, (b) other exports to the country of the parent, and (c) exports to third countries.

e) Number of enterprises:

The number of enterprises (or establishments, where that is the statistical unit) meeting the criteria for coverage by FATS statistics is a basic indicator of the prevalence of majority ownership by foreigners in the host economy. That number may be compared with the total number of firms in the economy. It may also be assessed in relation to the other FATS variables because it allows the computation of ratios – such as value added or number of employees per enterprise – that may be compared with the same ratios for domestically owned firms, thus giving an indication of the behaviour of foreign affiliates.

It should be recognised that the number of firms alone may not give an accurate picture of the overall importance of foreign-owned firms, because of differences in size between these firms and those that are domestically owned.

MSITS may be consulted for additional details and examples.

Annex IV - ISIC Categories for Foreign Affiliates (ICFA)

	<u>ISIC code</u>
1. Agriculture, hunting, forestry, and fishing	01, 02, 05
1.1. Agriculture, hunting, and related service activities	01
1.2. Forestry, logging, and related service activities	02
1.3. Fishing, operation of fish hatcheries and fish farms; services activities incidental to fishing	05
2. Mining and quarrying	10, 11, 12, 13, 14
<i>of which:</i> Services activities incidental to oil and gas extraction excluding surveying	112
3. Manufacturing	15 to 37
4. Electricity, gas, and water supply	40, 41
5. Construction	45
6. Trade and repair	50, 51, 52
6.1. Sale, maintenance, and repair of motor vehicles and motorcycles; retail sale of automotive fuel	50
6.2. Wholesale trade and commission trade, except of motor vehicles and motorcycles	51
6.3. Retail trade, except of motor vehicles and motorcycles; repair of personal and household goods	52
7. Hotels and restaurants	55
8. Transport, storage, and communications	60, 61, 62, 63, 64
8.1. Transport and storage	60, 61, 62, 63
8.1.1. Land transport; transport via pipelines	60
8.1.1.1. Transport via railways	601
8.1.1.2. Other land transport	602
8.1.1.3. Transport via pipelines	603
8.1.2. Water transport	61
8.1.2.1. Sea and coastal water transport	611
8.1.2.2. Inland water transport	612
8.1.3. Air transport	62
8.1.3.1. Scheduled air transport	621
8.1.3.2. Non-scheduled air transport	622
8.1.4. Supporting and auxiliary transport activities; activities of travel agencies	63
8.1.4.1. Supporting and auxiliary transport activities	6301, 6302, 6303, 6309
8.1.4.2. Activities of travel agencies and tour operators; tourist assistance activities, not elsewhere classified (n.e.c).	6304
8.2. Post and telecommunications	64
8.2.1. Post and courier activities	641
8.2.2. Telecommunications	642

Annex IV - ISIC Categories for Foreign Affiliates (ICFA) (cont'd)

9.	Financial intermediation	65, 66, 67
9.1.	Financial intermediation, except insurance and pension funding	65
9.2.	Insurance and pension funding, except compulsory social security	66
9.2.1.	Life insurance	6601
9.2.2.	Pension funding	6602
9.2.3.	Non-life insurance	6603
9.3.	Activities auxiliary to financial intermediation	67
9.3.1.	Activities auxiliary to financial intermediation, except insurance and pension funding	671
9.3.2.	Activities auxiliary to insurance and pension funding	672
10.	Real estate activities	70
11.	Renting of machinery and equipment without operator and of personal and household goods	71
12.	Computer and related activities	72
13.	Research and development	73
14.	Other business activities	74
14.1.	Legal, accounting, market research, and consultancy	741
14.1.1.	Legal activities	7411
14.1.2.	Accounting, bookkeeping, and auditing activities; tax consultancy	7412
14.1.3.	Market research and public opinion polling	7413
14.1.4.	Business and management consultancy activities	7414
14.2.	Architectural, engineering, and other technical activities	742
14.3.	Advertising	743
14.4.	Business activities, n.e.c.	749
15.	Education	80
16.	Health and social work	85
17.	Sewage and refuse disposal, sanitation, and similar activities	90
18.	Activities of membership organizations, n.e.c.	91
19.	Recreational, cultural, and sporting activities	92
19.1.	Motion picture, radio, television, and other entertainment activities	921
19.1.1.	Motion picture and video production and distribution; motion picture projection	9211, 9212
19.1.2.	Radio and television activities	9213
19.1.3.	Other arts and entertainment activities	9214, 9219
19.2.	News agency activities	922
19.3.	Library, archives, museums, and other cultural activities	923
19.4.	Sporting and other recreational activities	924
20.	Other service activities	93

Note. The following categories of the ISIC Rev.3 have been excluded from ICFA because they are not relevant for foreign direct investment or for FATS: (i) public administration and defence; compulsory social security (ISIC division 75), (ii) private households with employed persons (division 95), and (iii) extraterritorial organizations and bodies (division 99). Otherwise, all ISIC categories are included.

**Annex V - reporting STATUS of BPM5 components and supplementary items, as of
January 2003**

Service description	Exports			Imports		
	1999	2000	2001	1999	2000	2001
	Number of countries	Number of countries	Number of countries	Number of countries	Number of countries	Number of countries
Total services	143	137	125	143	137	125
Transport	139	134	122	142	137	125
<u>Sea transport</u>	68	68	65	76	78	73
Passenger transport on sea	25	27	31	29	29	31
Freight transport on sea	50	52	52	66	68	67
Supporting, auxiliary and other services	47	47	46	43	45	45
<u>Air transport</u>	77	79	72	76	78	72
Passenger transport by air	63	65	64	70	72	67
Freight transport by air	48	52	56	48	51	52
Supporting, auxiliary and other services	53	53	52	52	53	52
<u>Other transportation</u>	61	66	60	53	57	54
Passenger	35	37	36	30	37	35
Freight	46	48	45	39	42	42
Other transportation services	42	48	48	37	41	40
Travel	139	134	122	140	135	123
<u>Business travel</u>	45	50	46	57	61	60
<u>Personal travel</u>	67	70	69	75	78	76
Health-related expenditure	21	21	18	32	31	31
Education-related expenditure	31	31	30	45	42	38
Other personal travel	53	54	52	60	59	58
Communications services	97	97	95	95	95	96
Construction services	50	59	59	60	65	63
Insurance services	106	101	92	125	121	111
Financial services	62	69	70	68	72	77
Computer and information services	51	53	55	53	56	62
Royalties and licence fees	57	60	62	87	82	79
Other business services	134	130	117	142	134	122
<u>Merchanting and other trade-related services</u>	50	52	50	48	49	47
<u>Operational leasing</u>	40	44	44	48	51	55
<u>Miscellaneous business, professional and technical services</u>	89	87	83	92	90	87
Legal, accounting, management, consulting and public relations services	24	27	27	32	30	30
Advertising, market research and public opinion polling services	24	27	27	25	29	29
Research and development services	17	20	20	17	19	19
Architectural, engineering and other technical services	18	22	25	19	24	25
Agricultural, mining and on-site processing services	10	13	15	11	16	18
Other services	52	46	48	56	49	50
Personal, cultural and recreational services	46	50	51	53	57	60
<u>Audio-visual and related services</u>	29	33	31	34	38	40
<u>Other personal, cultural and recreational services</u>	32	34	35	37	40	43

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